JOSHUA GOLD RESOURCES INC
Form 10-K
April 16, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(mark one)

[x]

Annual Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2011

or

[ ]

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ___________ to ________________

Commission file number: 000-53809

JOSHUA GOLD RESOURCES INC.

(Exact name of registrant as specified in its charter)

Nevada	**27-0531073**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

99 Bronte Road, Suite 121, Oakville, ON L6L 3B7 Canada

(Address of Principal Executive Offices)(Zip Code)

(877) 354-9991

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, $0.0001 par value per share

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ¨

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if smaller reporting company)	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.)

Yes ¨ No x

The aggregate market value of the registrant's voting and non-voting common stock held by non-affiliates of the registrant on June 30, 2011 was $19,964,281.20 (computed by reference to the price at which the registrant s common stock was last sold).

As of December 31, 2011, the registrant had 278,579,678 shares of Common Stock, $0.0001 par value, issued and outstanding.

As of April 13, 2012, the registrant had 283,099,238 shares of Common Stock, $0.0001 par value, issued and outstanding.

NO DOCUMENTS INCORPORATED BY REFERENCE

JOSHUA GOLD RESOURCES INC.

2011 FORM 10-K ANNUAL REPORT

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PART I

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This 2011 Annual Report on Form 10-K, including the sections entitled Management s Discussion and Analysis of Financial Condition and Results of Operations and Business, contains forward-looking statements that include information relating to future events, future financial performance, strategies, expectations, competitive environment, regulation and availability of resources. These forward-looking statements include, without limitation, statements regarding: proposed new products or services; our statements concerning litigation or other matters; statements concerning projections, predictions, expectations, estimates or forecasts for our business, financial and operating results and future economic performance; statements of management s goals and objectives; trends affecting our financial condition, results of operations or future prospects; our financing plans or growth strategies; and other similar expressions concerning matters that are not historical facts. Words such as may, will, should, could, w predicts, potential, continue, expects, anticipates, future, intends, plans, believes and esti expressions, as well as statements in future tense, identify forward-looking statements.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by which, that performance or those results will be achieved. Forward-looking statements are based on information available at the time they are made and/or management s good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause these differences include, but are not limited to:

- our inability to raise additional funds to support operations and capital expenditures;
- our inability to achieve greater and broader market acceptance of our products and services in existing and new market segments;
- our inability to successfully compete against existing and future competitors;
- our inability to manage and maintain the growth of our business;
- our inability to protect our intellectual property rights; and
- other factors discussed under the headings “Management’s Discussion and Analysis of Financial Condition and Results of Operations and Business.

Forward-looking statements speak only as of the date they are made. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

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ITEM 1. BUSINESS

With respect to this discussion, the terms we us our and the Company refer to Joshua Gold Resources Inc.

(a)

Corporate History and Background.

We were incorporated in the State of Nevada on July 10, 2009. Prior to the Stock Purchase transaction described below in this Item 1, our business purpose was to seek the acquisition of or merger with, an existing private company. Accordingly, we were engaged in organizational efforts in order to put us in a position where we could seek to target and eventually acquire an existing private company.

On June 4, 2010, Ben Fuschino, our sole officer and director at that time, sold his 35,000,000 shares of the Company s common stock, which shares represented 100% of our issued and outstanding common stock, to Luc Duchesne and Robert Cormier for a total purchase price of $7,000 (the Stock Purchase). Upon closing of the Stock Purchase, (i) Mr. Duchesne and Mr. Cormier held a controlling 100% ownership in the Company, (ii) we changed our business and became a start-up carbon measuring company and (iii) we changed our name to Bio-Carbon Systems International Inc. to better reflect our new business enterprise.

Immediately after the closing of the Stock Purchase, on June 4, 2010, we entered into a license agreement (the Cormier License) with R&B Cormier Enterprises Inc. (Cormier Enterprises), an Ontario corporation and a license agreement (the GSN License) with GSN Dreamworks, Inc., an Ontario corporation (GSN). The Cormier License and GSN License (collectively, the License Agreements) granted the Company licensed intellectual property and technology to conduct airborne and other surveys of forested lands in areas that are difficult to access. Those surveys would have been conducted in a statistically verifiable process designed for use in carbon trading programs to assess the potential value of the surveyed lands as carbon sequestration land parcels in carbon trading, carbon sequestration, and other greenhouse gas emission control, offset and reduction programs.

Also, on June 4, 2010, the Company entered into consulting agreements (collectively, the Consulting Agreements) with Mr. Duchesne and Mr. Cormier, pursuant to which Mr. Duchesne and Mr. Cormier agreed to provide the Company with management and advisory services with respect to the intellectual property licensed to the Company under the Cormier and GSN Licenses.

On December 23, 2010, the Company elected to terminate the License Agreements and Consulting Agreements as the Company determined that conditions were not in place for the successful exploitation of the technology covered by the License Agreements. The termination did not given rise to any penalties against the Company as the termination was concluded through a mutual agreement of separation.

Upon termination of the aforementioned License and Consulting Agreements, the Company abandoned the carbon measuring business and became a mineral exploration company located in Oakville, Ontario through the acquisition of a mineral rights lease and other mineral properties, as described in further detail in Item 2 below. The Company s principal business activity now is the exploration of mineral property interests. The Company is considered to be in the exploration stage and substantially all of the Company s efforts are devoted to exploring mineral property interests. There has been no determination whether the Company s interests in unproven mineral properties contain mineral reserves which are economically recoverable.

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(b) Business of Issuer.

Business Overview

We intend to devote substantially all of our efforts on establishing our business plan and continuing to grow our operations in the mineral exploration sector. We do not have sufficient capital to operate our business and will require additional funding to sustain operations through December 2012. There is no assurance that we will be able to achieve revenues sufficient to become profitable.

Employees

As of March 01, 2012, we had a total of 6 full-time employees and 1 part-time employee(s). We expect no significant changes in the number of our employees in the next twelve (12) months.

Competition

We are an exploration stage mineral resource exploration company that competes with other mineral resource exploration companies for financing and for the acquisition of mineral properties. Many of the mineral resource exploration companies with whom we compete have greater financial and technical resources than those available to us. Accordingly, these competitors may be able to spend greater amounts on acquisitions of mineral properties of merit, on exploration of their mineral properties and on development of their mineral properties. In addition, they may be able to afford more geological expertise in the targeting and exploration of mineral properties. This competition could result in competitors having mineral properties of greater quality and interest to prospective investors who may finance additional exploration and development. This competition could adversely impact our ability to achieve the financing necessary for us to acquire mineral property interests and conduct exploration activities.

We will also compete with other mineral exploration companies for financing from a limited number of investors that are prepared to make investments in mineral exploration companies. The presence of competing mineral exploration companies may adversely impact on our ability to raise additional capital in order to fund our exploration programs if investors are of the view that investments in competitors are more attractive based on the merit of the mineral properties under investigation and the price of the investment offered to investors.

Government Regulation and Standards

There are several governmental regulations that materially restrict the exploration for minerals and the extraction of minerals and any related mining activities in Canada and in the Northwest Territories. The Company will be subject to the mining laws and regulations in force in Canada and in the Northwest Territories (as well as any other jurisdiction wherein a future-acquired property is located). In order to comply with applicable regulations, the Company may be required to obtain work permits, post bonds and perform remediation work for any physical disturbance to land. As a general matter, management of the Company will attempt to ensure that all budgets for exploration programs include a contingency for regulatory compliance.

Reports to Security Holders

We will be a reporting company and will comply with the requirements of the Exchange Act. We will file quarterly and annual reports and other information with the SEC, and we will send a copy of our annual report together with audited consolidated financial statements to each of our shareholders.

The public may read and copy any materials the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Additionally, the SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, which can be found at http://www.sec.gov.

ITEM 1A. RISK FACTORS

We are an exploration stage company with a limited operating history and may never be able to effectuate our business plan or achieve sufficient revenues or profitability; at this stage of our business, even with our good faith efforts, potential investors have a high probability of losing their entire investment.

We are subject to all of the risks inherent in an exploration stage company. In particular, potential investors should be aware that we have not proven that we can:

- raise sufficient capital in the public and/or private markets;
- have access to a line of credit in the institutional lending marketplace for the expansion of our business;
- respond effectively to competitive pressures; or
- recruit and build a management team to accomplish our business plan.

Accordingly, our prospects must be considered in light of the risks, expenses and difficulties frequently encountered in establishing a new business, and our Company is a highly speculative venture involving significant financial risk.

We have a limited track record that would provide a basis for assessing our ability to conduct successful business activities. We may not be successful in carrying out our business objectives.

The revenue and income potential of our proposed business and operations are unproven as a limited operating history makes it difficult to evaluate the future prospects of our business. There is limited information at this time on which to base an assumption that our business operations will prove to be successful or that we will ever be able to operate profitably. Accordingly, we have a limited track record of successful business activities, strategic decision making by management, fund-raising ability, and other factors that would allow an investor to assess the likelihood that we will be successful in marketing our services. As such, there is a substantial risk that we will not be successful in generating sufficient operating revenues or in achieving profitable operations, irrespective of competition.

If we are unable to hire and retain key personnel, we may not be able to implement our business plan.

Due to the specified nature of our business, having certain key personnel is essential to the development of our business plan and thus to the entire business itself. Consequently, the loss of any of those individuals may have a substantial effect on our future success or failure. We may have to recruit qualified personnel with competitive compensation packages, equity participation, and other benefits that may affect the working capital available for our operations. Management may have to seek to obtain outside independent professionals to assist them in assessing the merits and risks of any business proposals as well as assisting in the development and operation of many company projects. Our failure to attract additional qualified employees or to retain the services of key personnel could have a material adverse effect on our operating results and financial condition.

If we are unable to obtain additional funding, our business operations will be harmed.

We will require additional funds to operate our business and address all necessary infrastructure concerns. We anticipate that we will require a minimum of $460,000 to fund our continued operations for the next twelve months. The inability to raise the required capital will restrict our ability to grow and may reduce our ability to continue to conduct business operations. If we are unable to obtain necessary financing, we will likely be required to curtail our development plans which could cause the Company to become dormant. Any additional equity financing may involve substantial dilution to our then existing shareholders.

Due to numerous factors beyond our control which could affect the marketability of mineral resources, including their respective market price, we may have difficulty selling any mineral resources if commercially viable deposits are found to exist.

The availability of markets and the volatility of market prices are beyond our control and represent a significant risk. Even if commercially viable deposits of mineral resources are found to exist on our property interests, a ready market may not exist for the sale of the reserves. Numerous factors beyond our control may affect the marketability of any substances discovered. These factors include market fluctuations, the proximity and capacity of markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. These factors could inhibit our ability to sell the mineral resources in the event that commercially viable deposits are found to exist.

The nature of mineral exploration and production activities involves a high degree of risk that could materially and adversely affect our operations.

Exploration for minerals is highly speculative and involves greater risk than many other businesses. Many exploration programs do not result in the discovery of mineralization and any mineralization discovered may not be of sufficient quantity or quality to be profitably mined. Few properties that are explored are ultimately advanced to the stage of producing mines. Our current exploration efforts are, and any future development or mining operations we may elect to conduct will be, subject to all of the operating hazards and risks normally incident to exploring for and developing mineral properties, such as, but not limited to:

- economically insufficient mineralized material;
- fluctuations in production costs that may make mining uneconomical;
- labor disputes;
- unanticipated variations in grade and other geologic problems;
- environmental hazards;
- water conditions;
- difficult surface or underground conditions;
- industrial accidents;
- metallurgical and other processing problems;
- mechanical and equipment performance problems;
- failure of pit walls or dams;
- unusual or unexpected rock formations;
- personal injury, fire, flooding, cave-ins, and landslides; and
- decrease in reserves due to a lower gold price.

Any of these risks can materially and adversely affect, among other things, the development of properties, production quantities and rates, costs and expenditures, and production commencement dates. All of these factors may result in losses in relation to amounts spent which are not recoverable.

In the event that we are unable to successfully compete within the mineral exploration and development business, we may not be able to achieve profitable operations.

The mineral exploration and development business is highly competitive. This industry has a multitude of competitors and many competitors dominate this industry. Many of our competitors have greater financial resources than us. As a result, we may experience difficulty competing with other businesses when conducting mineral exploration and development activities or in the retention of qualified personnel. No assurances can be given that we will be able to compete effectively.

Our due diligence activities with respect to our property interests cannot assure that these properties will ultimately prove to be commercially viable.

Our due diligence activities have been limited, and to a great extent, we have relied upon information provided to us by third-party advisors. Accordingly, no assurances can be given that the properties or mining rights we possess will contain adequate amounts of mineral resources. Further, even if we recover mineral resources from such mining properties, we cannot guarantee that we will make a profit. If we cannot acquire or locate commercially exploitable mineral resources, or if it is not economical to recover the mineral resources, our business and operations will be materially adversely affected. The mining areas presently being assessed by us may not contain economically recoverable volumes of minerals or metals. We have relied and may continue to rely, upon consultants and others for operating expertise.

If we are unable to obtain all of our required governmental permits, our operations could be negatively impacted.

Our future operations, including exploration and development activities, required permits from various governmental authorities. Such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. There can be no assurance that we will be able to acquire all required licenses or permits or to maintain continued operations at economically justifiable costs.

Because new legislation, including the Sarbanes-Oxley Act of 2002, increases the cost of compliance with federal securities regulations as well as the risks of liability to officers and directors, we may find it more difficult for us to retain or attract officers and directors.

The Sarbanes-Oxley Act of 2002 was enacted in response to public concerns regarding corporate accountability in connection with recent accounting scandals. The stated goals of the Sarbanes-Oxley Act are to increase corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies, and to protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws. The Sarbanes-Oxley Act generally applies to all companies that file or are required to file periodic reports with the SEC, under the Securities Exchange Act of 1934. Upon becoming a public company, we will be required to comply with the Sarbanes-Oxley Act and it is costly to remain in compliance with the federal securities regulations. Additionally, we may be unable to attract and retain qualified officers, directors and members of board committees required to provide for our effective management as a result of Sarbanes-Oxley Act of 2002.

The enactment of the Sarbanes-Oxley Act of 2002 has resulted in a series of rules and regulations by the SEC that increase responsibilities and liabilities of directors and executive officers. The perceived increased personal risk associated with these recent changes may make it more costly or deter qualified individuals from accepting these roles. Significant costs incurred as a result of becoming a public company could divert the use of finances from our operations resulting in our inability to achieve profitability.

There is currently no trading market for our common stock, which will limit the ability of our stockholders to liquidate their investment.

Outstanding shares of our common stock cannot be offered, sold, pledged or otherwise transferred unless subsequently registered pursuant to, or exempt from registration under, the Securities Act of 1933, as amended (the Securities Act) and any other applicable federal or state securities laws or regulations. These restrictions will limit the ability of our stockholders to liquidate their investment.

We may, in the future, issue additional common shares, which would reduce investors percent of ownership and may dilute our share value.

Our Articles of Incorporation authorize the issuance of 400,000,000 shares of common stock. The future issuance of common stock may result in substantial dilution in the percentage of our common stock held by our then existing shareholders. We may value any common stock issued in the future on an arbitrary basis. The issuance of common stock for future services or acquisitions or other corporate actions may have the effect of diluting the value of the shares held by our investors, and might have an adverse effect on any trading market for our common stock.

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The issuance of preferred stock could adversely affect the voting power or other rights of the holders of our common stock.

Our Articles of Incorporation authorizes the issuance of up to 100,000,000 shares of preferred stock with designations, rights and preferences determined from time to time by our directors. Accordingly, our directors are empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting, or other rights which could adversely affect the voting power or other rights of the holders of the common stock. In the event of issuance, the preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of the Company.

Our common shares may be subject to the Penny Stock Rules of the SEC and the trading market in our securities is limited, which makes transactions in our stock cumbersome and may reduce the value of an investment in our stock.

The Securities and Exchange Commission has adopted Rule 15g-9 which establishes the definition of a penny stock, for the purposes relevant to us, as any equity security that has a market price of less than $5.00 per share or with an exercise price of less than $5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require:

- that a broker or dealer approve a person s account for transactions in penny stocks; and
- the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person s account for transactions in penny stocks, the broker or dealer must:

- obtain financial information and investment experience objectives of the person; and
- make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the Commission relating to the penny stock market, which, in highlight form:

- sets forth the basis on which the broker or dealer made the suitability determination; and
- that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the penny stock rules. This may make it more difficult for investors to dispose of our common shares and cause a decline in the market value of our stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

Because we do not presently intend to pay any cash dividends on our common stock, our stockholders will not be able to receive a return on their shares unless they sell them.

For the indefinite future, we intend to retain any future earnings to finance the development and expansion of our business. We do not anticipate paying any cash dividends on our common stock in the foreseeable future. Unless we pay dividends, our stockholders will not be able to receive a return on their shares unless they sell them.

You should consider the United States federal income tax consequences of owning our securities.

There are risks associated with the United States federal income tax consequences of owning our common stock. Because the tax consequences of owning our common stock are complex and certain tax consequences may differ depending on the holder's particular tax circumstances, each potential investor should consult with and rely on its own tax advisor about the tax consequences. In addition, there can be no assurance that the United States federal income tax treatment currently applicable to owning our common stock will not be modified by legislative, administrative, or judicial action that may have a retroactive effect. No representation or warranty of any kind is made with respect to the acceptance by the Internal Revenue Service or any court of law regarding the treatment of any item of income, deduction, gain, loss or credit by an investor on its tax return.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Carson Property

On December 23, 2010, the Company entered into a mineral property acquisition agreement (the Acquisition Agreement) with 2214098 Ontario Ltd. (2214098), an Ontario corporation, pursuant to which 2214098 agreed to sell to the Company the property located 195 kilometers north-northwest of the City of Yellowknife, N.W.T, on the west shore of Damoti Lake in the Indin Lake Greenstone Belt and known as a claim BR2 (the Carson Property). Under the Acquisition Agreement, the Company will acquire the Carson Property in consideration for the following payments:

1) the Corporation paying CDN$100,000 to be paid by the Corporation to 2214098 as follows:

a) $25,000 on or before April 30, 2011;

b) $10,000 on or before each of September 30th, 2011, 2012, 2013, 2014; and

c) $35,000 on or before September 30th, 2015.

2) the Corporation paying 1,000,000 common shares in the capital of the Corporation (the Shares) to 2214098, and deliver the Shares to 2214098 on or before March 30th, 2011;

3) upon and following the commencement of commercial production, the Corporation shall pay a 2% royalty to John Rapski, and a 1% royalty to 2214098 of net smelter returns (NSR) on the terms and conditions as set out in the Acquisition Agreement.

The 1,000,000 common shares due to be issued to Mr. Rapski have been authorized for issuance and are expected to be issued and delivered to him by the end of April of 2011.

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In addition to the royalties described above, the Northwest Territories and Nunavut Mining Regulations require the owner or operator of a mine to pay royalties to Her Majesty on the value of the mine s output during that fiscal year an amount equal to the lessor of:

a)

13% of the value of the output of the mine; and

b)

The amount calculated in accordance with the following table.

Value of Output	**Royalty Payable of that portion of the Value**
10,000 or less	0 %
In excess of 5 million but not exceeding 10 million	5%
In excess of 5 million but not exceeding 10 million	6%
In excess of 10 million but not exceeding 15 million	7%
In excess of 15 million but not exceeding 20 million	8%
In excess of 20 million but not exceeding 25 million	9%
In excess of 25 million but not exceeding 30 million	10%
In excess of 30 million but not exceeding 35 million	11%
In excess of 35 million but not exceeding 40 million	12%
In excess of 40 million but not exceeding 45 million	13%
In excess of 45 million	14%

The foregoing summary of the Acquisition Agreement is not complete and is qualified in its entirety by reference to the complete text of the Acquisition Agreement which was filed as Exhibit 10.1 to the Company s current report on Form 8-K filed with Securities and Exchange Commission on December 23, 2010.

Mineral rights were acquired at the Carson Property location through claim staking. The Carson Property mining claims are an area of open Crown land or Crown minerals rights that a licensed prospector marked out with a series of claim posts and blazed lines. The mining claims were staked in square or rectangular share with boundaries running north, south, east and west astronomically. Claim posts are erected at the corner of each mining claim, and claim boundaries between each post are marked by blazes cut into trees and by cut underbrush. Claim corner post tags identifying the individual claim number are affixed by nails to each corner post.

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The Northwest Territories and Nunavut Mining Regulations Territorial Lands Act (the Mining Act) authorizes the staking of mineral claims (such as those claims comprising the Carson Property) where the Crown owns the minerals and the carrying out of assessment/exploration work on the mining claims by the claim holder. Mining (i.e. extraction of the minerals) cannot take place until the claims are brought to lease. Mining leases are issued for the express purpose of undertaking mineral, development or mining. The claim holder is entitled to a lease upon fulfilling the requirements of the Mining Act. Currently, the surface and mineral rights are leased by J. Rapski.

The claim comprising the Carson Property is a mining lease. A lease is issued for the express purpose of undertaking mineral development or mining. The lease is a Federal lease.

The claim is identified as mining lease 3446, District 215 of the Northwest Territories, Lease NTS Sheet no. O86B03. The lease was granted on June 30, 1993 and expires on June 30, 2024. Prior to the expiry date, the lease holder can apply to have the lease renewed for an additional 21 year period.

To maintain the claim in good standing, annual lease payments by the lease holder of $1,141 must be paid to the Chief of Financial Analysis for the Federal Department of Indian and Northern Affairs.

The Carson Property is 1,812 acres in area and is most directly accessed via Damoti Lake by float or ski based fixed wing aircraft or helicopter directly from Yellowknife. The Colomac seasonal road runs along the Indin Lake located approximately 5 kilometers to the west. This road originates in Yellowknife and is maintained through the winter months.

The Company must meet the following payments to 2214098 Ontario Ltd. in order to retain title to the Carson Property: CDN $ 25,000 on or before April 30, 2011; at total of CDN $40,000 payable in increments of CDN $10,000 on or before each of September 30, 2011, 2012, 2013, 2014; a further payment of CDN $35,000 on or before September 30, 2015; and delivery of the 1,000,000 common shares of Joshua registered to the Vendor on or before March 30, 2011.

Additionally, annual lease payments by the leaseholder of $1,141 must be paid to the Chief of Financial Analysis for the Federal Department of Indian and Northern Affairs.

The Carson Property is underlain by mafic a lesser felsic metavolcanic and subordinate metasedimentary rocks of the Yellowknife Supergroup. Felsic metavolcanic rocks occur at the metavolcanic-metasedimentary contact. Eight major rock assemblages at the property have been delineated by historical exploration work and range from feldspar crystal tuffs, rhyolite, andesite and feldspar porphyry intrusives.

Gold associated with quartz veins (shear zones) or with silicification are found in the metavolcanic and metasedimentary rocks of the Yellowknife Supergroup. In the Indin Lake Supracrustal belt shear-hosted mineralized systems generally occur at or near volcano-sedimentary contacts. Specifically, mineralization on the property occurs as: gold-bearing quartz veins and lenses with pyrite-pyrrohtite and trace chalcopyrite and galena in mafic shear zones; pyrite-pyrrohtite horizons near the contact of the Lovang tuff and Snowden andesite; or as pyritic argillites associated with shear zones in the Oti rhyolite. These gold bearing shear zones occur on the property as three principal northeast-trending shear zones called the Pond, Chuck vein and Hilltop. The potential economic significance of the gold bearing formation and structures on the property is presently unknown.

To date, exploration work conducted by the Company has been limited to the preparation of a National Instrument 43-101 compliant technical report entitled: Technical Report, Carson Property, INTS: 086G/03, Mackenzie Mining District, Northwest Territories prepared by Aurora Geosciences Ltd. of Yellowknife, Northwest Territories.

The report summarized and evaluated all the publically available historical work completed in the immediate area of the property. As part of the terms of reference for the report, Aurora also conducted a site visit of the property. Based on the analysis of the historical work at the property, the report recommended additional exploration work be conducted including geological mapping, detailed compilation and interpretation of all historical work, updated VLF and magnetic surveying of the entire property, and diamond drilling. The estimated budget for the additional recommended work is CDN $857,703.

Prior to the preparation of the Aurora technical report, diamond drilling in 1947 and prospecting and ground geophysical work completed in 1947, 1981 and 1985 have been reported at the Carson property.

As the property is a grass roots exploration prospect, no plant equipment is present and no subsurface improvements are required at the property. Further, no infrastructure or facilities are found on the property and no exploration work is presently underway.

Exploration cost on the Carson Property is limited to the preparation of the Technical Report and is $13,744. The report recommended additional exploration work be conducted including geological mapping, detailed compilation and interpretation of all historical work, updated VLF and magnetic surveying of the entire property, and diamond drilling. The estimated budget for the additional recommended work is CDN $857,703.

Sources of water locally are from abundant local creeks, rivers and small lakes. Local power sources are not available presently. Power (when required) can be provided via portable generators transported to the property. The Carson Property is presently without known mineral reserves and the proposed work program is exploratory in nature. The location and access to the Carson Property, as well as its mineral claims and geology, are shown in the small-scale maps provided below.

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Garrett Property

On June 25, 2011, the Company entered into a mineral property acquisition with Firelake Resources Inc. (Firelake) whereby the Company agreed to purchase certain mineral interests located in the townships of Eric and Huffman in the Province of Ontario, Canada (the Huffman Property , later renamed the Garrett Property) in consideration for the sum of $52,220 ($50,000 CDN) and 2,000,000 shares of common stock of the Company to be paid by Company to Firelake as follows: $26,102 CDN on or before January 31, 2012; $25,000 CDN on or before January 31, 2013; and delivery of the shares on or before January 31, 2012. Additionally, upon commencement of commercial production of the Garrett Property, the Company will pay to Firelake a royalty equal to 2% of all net smelter returns on minerals from the Property.

Mineral rights were acquired at the Garrett Property location through claim staking. The Garrett mining claims are an area of open Crown land or Crown minerals rights that a licensed prospector marked out with a series of claim posts and blazed lines. The mining claims were staked in square or rectangular share with boundaries running north, south, east and west astronomically. Claim posts are erected at the corner of each mining claim, and claim boundaries between each post are marked by blazes cut into trees and by cut underbrush. Claim corner post tags identifying the individual claim number are affixed by nails to each corner post.

The Ontario Mining Act authorizes the staking of mineral claims (such as those claims comprising the Huffman property) where the Crown owns the minerals and the carrying out of assessment/exploration work on the mining claims by the claim holder. Mining (i.e. extraction of the minerals) cannot take place until the claims are brought to lease. Mining leases are issued for the express purpose of undertaking mineral, development or mining. The claim holder is entitled to a lease upon fulfilling the requirements of the Mining Act. Currently, Fire Lake is the holder of the mineral rights to the Garrett Property, and the Crown is the holder of the surface rights.

Upon recording of the mineral claims with the provincial mining recorder s office, the claims will remain good standing for a period of two years. The claims can be renewed by performing the minimum specified assessment work within 2 years of the recording date for the claim. Specifically, the claims for the Huffman property will remain in good standing until the dates set out below:

CLAIM NUMBER	DUE DATE
4246907	November 30, 2012
4246908	November 30, 2012
4246912	November 12, 2012
4246913	November 12, 2012
4246916	November 22, 2012
4246919	November 22, 2012

The mineral claims comprising the Garrett property are exploration claims only and allow for the carrying out of assessment/exploration work on the claims by the claim holder. Mining (i.e. extraction of the minerals) cannot take place until the claims are brought to lease. Mining leases are issued for the express purpose of undertaking mineral, development or mining. The claim holder is entitled to a lease upon fulfilling the requirements of the Mining Act.

The property is referred to as the Garrett Property. The identifying claim information is provided below:

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MINING DISTRICT	CLAIM NUMBER	DATE RECORDED	DUE DATE
(Ontario)			
Porcupine	4246907	November 30, 2010	November 30, 2012
Porcupine	4246908	November 30, 2010	November 30, 2012
Porcupine	4246912	November 12, 2010	November 12, 2012
Porcupine	4246913	November 12, 2010	November 12, 2012
Porcupine	4246916	November 22, 2010	November 22, 2012
Porcupine	4246919	November 22, 2010	November 22, 2012

In addition to the property payments described above, Joshua must undertake minimum exploration assessment work on each claim and file reports of this work with the Ministry of Mines and Northern Development on or before the due dates provided below in order to keep the claims of the Garrett property in good standing:

CLAIM NUMBER	DUE DATE	AMOUNT OF WORK (CDN $)
4246907	November 30, 2012	6,400.00
4246908	November 30, 2012	4,000.00
4246912	November 12, 2012	4,800.00
4246913	November 12, 2012	6,400.00
4246916	November 22, 2012	4,800.00
4246919	November 22, 2012	6,400.00

The area of the original Huffman Property is approximately 1,266 hectares and consists of 82 mining claim units.

On October 10, 2011 the company completed claim staking of an additional six claims and changed the name of the Property to the Garrett Property. These claims are comprised of:

MINING DISTRICT	CLAIM NUMBER	DATE RECORDED	DUE DATE
(Ontario)			
Porcupine	4246915	October 4, 2011	October 4, 2013
Porcupine	4246922	October 4, 2011	October 4, 2013
Porcupine	4246923	October 4, 2011	October 4, 2013
Porcupine	4246930	October 24, 2011	October 24, 2013
Porcupine	4246931	October 24, 2011	October 24, 2013
Porcupine	4246932	October 24, 2011	October 24, 2013

Joshua must undertake minimum exploration assessment work on each claim and file reports of this work with the Ministry of Mines and Northern Development on or before the due dates provided below in order to keep the claims of the Huffman property in good standing:

CLAIM NUMBER	DUE DATE	AMOUNT OF WORK (CDN $)
4246915	October 4, 2013	2,400.00
4246923	October 4, 2013	6,400.00
4246922	October 4, 2013	6,000.00
4246931	October 24, 2013	6,400.00
4246932	October 24, 2013	2,400.00
4246930	October 24, 2013	6,400.00

The Garrett Property is located in the northwest portion of Huffman Township, and the southwest corner of Eric Township, Porcupine Mining District, Province of Ontario, Canada. The Garrett Property can be accessed via pickup truck by travelling 81 kilometers along bush/logging roads west and north of the intersection of Highway 144 and Regional Road 560 in north central Ontario. The City of Sudbury is located approximately 140 kilometers south of this highway intersection along Highway 144. The approximate centre of the Huffman property has UTM co-ordinate 412156 m E and 5277530 m N, Zone 17.

The rock formations on the Garrett property are predominantly composed of Early Archean supracrustal rocks, dominantly of greenschist facies metamorphic rank, and are deformed by an east-southeast trending syncline or synclinorium. These rocks are part of larger belt of greenschist metamorphic rocks referred to as the Swayze Greenstone Belt, which is the southwestern extension of the prolific Abitibi Greenstone Belt that is host to several world-class mining camps.

Locally, rock formations strike generally at 300 degrees, and dip steeply to the southwest. Rocks within the central claim area are predominantly composed of tholeiitic metavolcanics that structurally vary from massive to foliated flows. Quartz veins or pods within flow units are common. Bordering the tholeiitic metavolcanics along southwest boundary of the property are calc-alkalic metavolcanics frequently containing quartz veins and felsic lapilli.

Bordering the tholeiitic metavolcanics to the northeast are the Late Archean orthogneissic rocks of the Kenogamissi Granitic Complex. These rocks are quite heterogeneous and are of amphibolite metamorphic rank. Numerous batholiths and plutons of tonalite, granodiorite and granitic composition are found with the complex. The complex was emplaced into the greenstone rocks of the Swayze belt as a dome and caused a deformation aureole of severe flattening and recumbent folding. It is within these highly strained rocks that the gold mineralization of the St. Jerome mine immediately southwest of the Garrett property, and the gold mineralization of the Trelawney Corporation Chester complex to the southeast is found.

The company has completed exploration work on the property, inclusive of 60 kilometers of line cutting, Geophysical Survey in the form of both Very Low Frequency Electro Magnetic Survey and MAG Survey in the areas that have been subject to line cutting to establish a visible grid for data interpretation. The present condition of the property is grass roots in that much of the property area is covered by undisturbed boreal forest and muskeg typical of the Canadian north. At present infrastructure exists on the property in the form of an exploration camp for housing workers on the property, inclusive of a power generation station, semi permanent exploration camp with housing for up to 24 individual workers at a time, a dining and sanitary tent, complete with indoor bath facilities and satellite communications equipment. The property contains a logging road with structural improvements, including bridges and culverts to make the area easily accessible (apart from these improvements, no other subsurface improvements are required at the property to complete additional exploration work). Exploration work is currently underway and drill targets will be determined and recommended, subject to interpretation of surface sampling and interpretation of geophysical surveys. An estimate of diamond drilling cost is unknown at this time and can only be determined based on a review of data generated from the initial prospecting and geophysical surveying work.

Sources of water locally are from the abundant local creeks, rivers and small lakes. Local power sources are not available presently. Power (when required) can be provided via portable generators transported to the property. The Huffman Property is presently without known mineral reserves and the proposed work program is exploratory in nature. A map of the property is provided below:

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Elijah Property

On February 7, 2012, the Company entered into and closed a mineral property acquisition agreement (the Original Agreement), as amended and restated on February 13, 2012 (the Amended Agreement), with Shining Tree Resources Corp. (Shining Tree), pursuant to which Shining Tree agreed to sell to Company an undivided fifty percent (50%) interest in and to certain mineral interests found on the Elijah Property (as described in further detail below) located in the Townships of Churchill and Asquith, Ontario, Canada (the Conveyed Property). As consideration for the sale of the Conveyed Property, the Company agreed to deliver the following to Shining Tree in the manner set forth below:

1)

$50,270 ($50,000) according to the following schedule:

(a)

$10,054 ($10,000 CDN) upon execution of the Agreement;

(b)

$10,054 ($15,000 CDN) due on March 30, 2012;

(c)

$10,054 ($15,000 CDN) due on June 30, 2012; and

(d)

$10,054 ($10,000 CDN) due on July 30, 2012.

2)

subject to the approval of the Board of Directors of Joshua Gold Resources Inc., One Million (1,000,000) common shares of Company on or before March 30, 2012; and

3)

complete $201,097 ($200,000 CDN) of Expenditures (as defined in the Original and Amended Agreement) on the Conveyed Property on or before February 10, 2014. Upon completion of payment for the Conveyed Property in the aggregate amount of $50,270 ($50,000 CDN) of Expenditures on the Conveyed Property, Shining Tree will issue to Company 1,000,000 common shares of Shining Tree on or before July 30, 2012.

Description of Elijah Property

The Elijah Property consists of four (4) unpatented mining claims (38 units approximately 1,520 acres) in Asquith and Churchill Townships, Larder Lake Mining District, Ontario, Canada. The property lies approximately 3km northeast of the hamlet of Shining Tree along Regional Highway 560, which is a paved road. Access to the property is well maintained throughout all seasons, with former lumber gravel roads intersecting the property.

The Elijah Property is located in the south central portion of Asquith Township, with claim 4251805 located in contiguous Asquith Township in the north central portion, Larder Lake Mining District, Province of Ontario, Canada. The Elijah Property can be accessed via motor vehicle by travelling 136km North Northwest from The City of Sudbury on Highway 144, then travelling 56 km North Northeast on Highway 560 in north central Ontario, Canada. The approximate centre of the Elijah Property has UTM co-ordinate 479000 m E and 5271000 m N.

There has been no historical work on the Property. The property is a grass roots exploration prospect, no infrastructure or facilities are found on the property, apart from the gravel logging road providing access to the property.

The Elijah Property is located within a mineral rich portion of Shining Tree Greenstone Belt that forms the southern portion of the Abitibi Sub-Province of the Superior Province. The Larder lake dominant structural feature is the Larder Lake Cadillac Fault, which extends through the Shining Tree area, the Kirkland Lake area and into the neighboring eastern Province of Quebec, Canada. Due to the strong special relationship between gold deposits and regional faults, numerous world class gold deposits are found along the Kirkland Lake Cadillac Fault system.

Calc-Alkaline Tholeiitic volcanic rocks and minor Komatiitic rocks are interpreted to underly the immediate property area. The most significant geological feature is the gold bearing Gosselin Rift Zone . The Gosselin Rift Zone is a southwest trending feature along claim number 4251803 and runs westward, northwestward into claim 4251801, which are in the Elijah Property. It includes an extensive quartz vein system, altered mafic-ultramafic rocks and altered felsic intrusive and extrusive rocks. Extensive faulting fracturing and shearing are evident in this zone over widths of approximately 200 meters. Gold mineralization in the Gosselin Rift Zone tends to be erratic and is associated with Pyrite mineralization varying in concentrations from trace to levels of 4-5% in the altered volcanic rocks and quartz vein systems.

Glossary of Terms:

Calc-alkalic: Said of a series of igneous rocks in which the weight percentage of silica is between 56 and 61 when the weight percentages of CaO and of K_2O + Na_2O are equal.

Tholeiite: A silica-oversaturated (quartz-normative) basalt, characterized by the presence of low-calcium pyroxenes (orthopyroxene and/or pigeonite) in addition to clinopyroxene and calcic plagioclase. Olivine may be present in the mode, but neither olivine nor nepheline appear in the norm.

Komatiite: Magnesium-rich ultramafic volcanic rock of high temperature origin. The term was originally applied by Viljoen and Viljoen (1969) to basaltic and ultramafic lavas near the Komati river, Barberton Mountain Land, Transvaal, South Africa. Nickel-copper sulfide mineral deposits may be associated with komatiites.

Mafic: Pertaining to or composed dominantly of the ferromagnesian rock-forming silicates; said of some igneous rocks and their constituent minerals.

Ultramafic: Said of an igneous rock composed chiefly of mafic minerals, e.g., monomineralic rocks composed of hypersthene, augite, or olivine.

Felsic: A mnemonic adj. derived from (fe) for feldspar, (l) for lenad or feldspathoid, and (s) for silica, and applied to light-colored rocks containing an abundance of one or all of these constituents. Also applied to the minerals themselves, the chief felsic minerals being quartz, feldspar, feldspathoid, and muscovite.

Claim Registration:

Claim Number	Registered Owner(s)	Township	Unit Size
4251801	Shining Tree Resources Corp.	Churchill	15
4251802	Shining Tree Resources Corp.	Churchill	9
4251803	Shining Tree Resources Corp.	Churchill	2
4251805	Shining Tree Resources Corp.	Asquith	12

Small scale maps of the Elijah Property are shown below:

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ITEM 3. LEGAL PROCEEDINGS

There are no legal proceedings that have occurred within the past year concerning our directors, or control persons which involved a criminal conviction, a criminal proceeding, an administrative or civil proceeding limiting one s participation in the securities or banking industries, or a finding of securities or commodities law violations.

ITEM 4. MINE SAFETY DISCLOSURES

As the mines operated by the Company are not located in the United States, we are not subject to the provisions of the Federal Mine Safety and Health Act of 1977 and are thus not required to provide the information required by this Item 4.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is not trading on any stock exchange. The Company is not aware of any market activity in its stock since its inception and through the date of this filing.

Security Holders

As of April 13, 2012, there were 97 record holders of 283,099,238 shares of our common stock.

Dividends

Dividends, if any, will be contingent upon our revenues and earnings, capital requirements and financial conditions. The payment of dividends, if any, will be within the sole discretion of our Board of Directors. We presently intend to retain all earnings, if any, for use in our business operations.

Securities authorized for issuance under equity compensation plans

We have never and have no current plans to issue securities under any equity compensation plans.

Common Stock

The authorized capital stock of our Company consists of 400,000,000 shares of Common Stock, par value $0.0001 per share, of which there are 283,099,238 issued and outstanding.

All outstanding shares of Common Stock are of the same class and have equal rights and attributes. The holders of Common Stock are entitled to one vote per share on all matters submitted to a vote of our stockholders. Our stockholders are entitled to share equally in dividends, if any, as may be declared from time to time by our Board of Directors out of funds legally available. In the event of liquidation, the holders of our Common Stock are entitled to share ratably in all assets remaining after payment of all liabilities. Our stockholders do not have cumulative or preemptive rights.

Preferred Stock

Our Certificate of Incorporation authorizes the issuance of up to 100,000,000 shares of Preferred Stock, par value $0.0001 per share, with designations, rights and preferences including rights to dividend, liquidation, conversion, voting, or other rights determined from time to time by our Board of Directors, without shareholder approval. As of the date of this filing, there are 240,000 shares of our Preferred Stock issued and outstanding.

Recent Sales of Unregistered Securities

Pursuant to the terms and conditions of that certain Firelake Acquisition Agreement entered into on June 25, 2011, we agreed to issue, on or before January 31, 2012, 2,000,000 shares of the Company s common stock to Firelake in partial consideration for the acquisition by Company of the Huffman Property.

Pursuant to the terms and conditions of that certain Mineral Property Acquisition Agreement entered into on February 7, 2012, as amended and restated on February 13, 2012, with Shining Tree and subject to the approval of our board of directors, we agreed to issue 1,000,000 common shares of Company to Shining Tree on or before March 30, 2012 in partial consideration for the acquisition by Company of the Conveyed Property.

The transactions described above were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended.

On September 8, 2011, we commenced a Regulation D offering. Pursuant to said offering, we are offering common share units (each a Unit) to certain investors, both accredited and non-accredited, at a subscription price of US $0.075 per Unit, with each Unit comprised of one common share of the Company and one purchase warrant, with each warrant exercisable for 12 months from the date of issuance for one share at an exercise price of US $0.10 per share.

In addition, with respect to the same Regulation D offering, we are offering flow-through common shares to certain investors, both accredited and non-accredited, at the price of US $0.10 per share and purchase warrants of the Company, with each warrant exercisable for twelve (12) months from the date of issuance for one common share of the Company at an exercise price of US $0.20 per share.

On October 25, 2011 we filed a Form D with the Securities and Exchange Commission disclosing this Regulation D offering. The information disclosed in the Form D is hereby incorporated by reference into this Item 5. Offerings made by the Company under this Regulation D offering will be made to no more than thirty-five (35) non-accredited investors.

Exemption is claimed for the sale of the aforementioned securities pursuant to Rule 506 of Regulation D promulgated under Section 4(2) of the Securities Act of 1933, as amended.

ITEM 6. SELECTED FINANCIAL DATA

As a smaller reporting company, we are not required to provide the information required by this item.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(a) Liquidity and Capital Resources.

We are an exploration stage company focused on developing our business in the mineral exploration sector. Our principal business objective for the next twelve (12) months will be to continue to develop our business plan in this sector.

As of February 1, 2012, we had cash on hand of $111,905 and current liabilities of $42,130. We do not have sufficient capital to operate our business and will require additional funding to sustain operations through December 2012. There is no assurance that we will be able to achieve revenues sufficient to become profitable.

We have incurred losses since inception and our ability to continue as a going-concern depends upon our ability to develop profitable operations and to continue to raise adequate financing. We are actively targeting sources of additional financing to provide continuation of our operations. In order for us to meet our liabilities as they come due and to continue our operations, we are solely dependent upon our ability to generate such financing.

There can be no assurance that the Company will be able to continue to raise funds, in which case we may be unable to meet our obligations and we may cease operations.

Net cash provided by (used in) operating activities. During the fiscal year ended December 31, 2011, net cash used in operating activities was $(298,323). The cash flow used in operating activities in the fiscal year ended December 31, 2011 was primarily the result of common share issuance.

Net cash provided by (used in) investing activities. During the fiscal year ended December 31, 2011, net cash used in investing activities was $(52,891). The cash flow used in investing activities in the fiscal year ended December 31, 2011 was primarily the result of issuance of common shares.

Net cash provided by (used in) financing activities. During the fiscal year ended December 31, 2011, net cash provided by financing activities was $420,764. The net cash provided by financing activities was primarily attributable to advances from shareholders, proceeds on issuance of capital stock and stocks to be issued.

(b) Results of operations.

Total Revenue. For the fiscal year ended December 31, 2011, our total revenue was $0.

Total Operating Expenses. For the fiscal year ended December 31, 2011, our total operating expenses was $985,926 consisting of $380,563 in management fees, $362,619 in consulting fees, $102,742 in exploration expenses, $55,531 in general and administrative expenses, $51,147 in professional fees, $18,104 in interest expenses and $15,220 in depreciation.

Net (Loss) Earnings. For the fiscal year ended December 31, 2011, we incurred a net loss of $(985,926). The loss during the fiscal year ended December 31, 2011 was primarily attributable to management fees and consulting fees and exploration expenses.

(c) Off-balance sheet arrangements.

We have not entered into any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources and would be considered material to investors.

(d) Inflation.

We do not believe that inflation has had in the past or will have in the future any significant negative impact on our operations.

(e) Quantitative and Qualitative disclosures About Market Risk.

We do not have any market risk sensitive instruments at this moment.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide the information required by this item.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Directors of

Joshua Gold Resources Inc.

(formerly Bio-Carbon Systems International Inc.)

(an Exploration Stage Company)

We have audited the accompanying consolidated balance sheets of Joshua Gold Resources Inc. (the "Company") (formerly Bio-Carbon Systems International Inc.) (an exploration stage company) as of December 31, 2011 and 2010, and the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity (deficit) and cash flows for the years ended December 31, 2011 and 2010 and the period July 10, 2009 (Inception) through December 31, 2011. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Joshua Gold Resources Inc. (formerly Bio-Carbon Systems International Inc.) (an exploration stage company) as of December 31, 2011 and 2010, and the results of its consolidated statements of operations and comprehensive loss, changes in stockholders equity (deficit), and cash flows for the years ended December 31, 2011 and 2010 and period July 10, 2009 (Inception) through December 31, 2011 in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has not generated significant revenue to this point, however, has been successful in raising funds in their private placements. The lack of profitable operations and the need to continue to raise funds raise significant doubt about the Company s ability to continue as a going concern. Management s plans in this regard are described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ DNTW Chartered Accountants, LLP

Licensed Public Accountants

Markham, Ontario, Canada

April 14, 2012

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Joshua Gold Resources Inc.

(Formerly: Bio-Carbon International Inc.)

(An Exploration Stage Company)

Balance Sheets

As At

	December 31, 2011	December 31, 2010
ASSETS		
Current Assets	$	$
Cash	24,566	24,786
Sales tax receivable	27,582	999
Loans receivable	14,750	14,997
Prepaid expense	-	12,997
Accounts receivable from discontinued operations	-	10,942
Total Current Assets	66,898	64,721
Other Assets		
Equipment	6,380	-
Minerals rights	378,753	199,960
Total Other Assets	385,133	199,960
	$	$
Total Assets	452,031	264,681
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities	$	$
Accounts payable and accrued liabilities	84,856	17,580
Advances from stockholders	124,699	39,711
Due on mineral rights acquisition current portion	43,265	34,993
Liabilities from discontinued operations	4,454	83,756
Total Current Liabilities	257,274	176,040
Long Term Liabilities		
Due on mineral rights acquisition	78,664	64,987
Long term liabilities from discontinued operations	-	26,245
Total Long Term Liabilities	78,664	91,232
Total Liabilities	335,938	267,272
Stockholders' Deficit		
Preferred stock, $0.0001 par value; 100,000,000 shares authorized; 240,000 shares issued and outstanding (December 31, 2010 240,000)	24	24
	27,858	26,519

Common stock**,** $0.0001 par value; 400,000,000 shares authorized; 278,579,678 shares issued and outstanding (December 31, 2010 265,190,416)		
Additional paid-in capital	1,357,543	340,196
Stock to be issued	303,190	98,450
Subscriptions receivable	(103,247)	-
Accumulated other comprehensive income	25,175	1,919
Deficit accumulated during the development stage	(1,494,450)	(469,699)
Total Stockholders' Deficit	116,093	(2,591)
	$	$
Total Liabilities and Stockholders' Deficit	452,031	264,681

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Joshua Gold Resources Inc.

(Formerly: Bio-Carbon Systems International Inc.)

(An Exploration Stage Company)

Statements of Stockholders Deficit

For the Period Inception (July 10, 2009) to December 31, 2011

	Preferred Stock		**Common Stock**							
	Shares	**Par Value**	**Shares**	**Par Value**	**Additional Paid-in Capital**	**Stock to be Issued**	**Subscriptions Receivable**	**Accumulated Other Comprehensive Income**	**Accumulated Deficit**	**Total Stockholders Deficit**
Issuance of stock for cash			35,000,000	3,500						3,500
Net loss									(16,446)	(16,446
Balance December 31, 2009	**-**	**-**	**35,000,000**	**3,500**	**-**	**-**	**-**	**-**	**(16,446)**	**(12,946**
Issuance of stock for cash			96,550,000	9,655	70,518					80,173
Issuance of stock for notes receivable			50,000,000	5,000	9,435					14,435
Issuance of stock for services	240,000	24	83,640,416	8,364	260,243					268,631
Stock to be issued for acquisition for mineral rights						98,450				98,450
Foreign currency translation								1,919		1,919
Net loss									(453,253)	(453,253
Balance December 31, 2010	**240,000**	**24**	**265,190,416**	**26,519**	**340,196**	**98,450**	**-**	**1,919**	**(469,699)**	**(2,591**
								Ddddd		

Issuance of stock for cash			5,930,262	593	452,481		(103,247)			349,827
Issuance of stock for services			7,459,000	746	564,866					565,612
Stock to be issued for services						53,081				53,081
Stock to be issued for acquisition of mineral rights						151,659				151,659
Foreign currency translation								23,256		23,256
Net loss									(985,926)	(985,926
Dividends									(38,825)	(38,825
	240,000	**24**	**278,579,678**	**27,858**	**1,357,543**	**303,190**	**(103,247)**	**25,175**	**(1,494,450)**	**116,093**

See accompanying notes to the financial statements.

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Joshua Gold Resources Inc.

(Formerly: Bio-Carbon Systems International Inc.)

(An Exploration Stage Company)

Statements of Operations and Comprehensive Loss

	Year Ended December 31, 2011	Year Ended December 31, 2010	Period from Inception (July 10, 2009) to December 31, 2011
	$	$	$
SALES	-	-	-
COST OF SALES	-	-	-
GROSS PROFIT	-	-	-
OPERATING EXPENSES			
Management fees	380,563	-	380,563
Consulting fees	362,619	-	362,619
Exploration expenses	102,742	-	102,742
General and administrative	55,531	143	59,120
Professional fees	51,147	11,624	75,771
Interest	18,104	-	18,104
Depreciation	15,220	-	15,220
TOTAL OPERATING EXPENSES	985,926	11,767	1,014,139
LOSS FROM CONTINUING OPERATIONS	(985,926)	(11,767)	(1,014,139)
Loss from discontinued operations	-	(441,486)	(441,486)
	$	$	$
NET LOSS	(985,926)	(453,253)	(1,455,625)
OTHER COMPREHENSIVE INCOME			
Foreign currency translation	23,256	1,919	25,175
	$	$	$
COMPREHENSIVE LOSS	(962,670)	(451,334)	(1,430,450)
LOSS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED			
	$	$	
Continuing operations	(0.00)	(0.00)	
Discontinued operations			
	$	$	

	(0.00)	(0.00)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED	269,280,774	167,399,518

See accompanying notes to the financial statements.

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Joshua Gold Resources Inc.

(Formerly: Bio-Carbon Systems International Inc.)

(An Exploration Stage Company)

Statements of Cash Flows

	Year Ended December 31, 2011	Year Ended December 31, 2010	Period from Inception (July 10, 2009) to December 31, 2011
CASH FLOWS FOR CONTINUING OPERATIONS			
OPERATING ACTIVITIES			
	$	$	$
Loss from continuing operations	(985,926)	(11,767)	(1,014,139)
Adjustments for non-cash items:			
Depreciation	15,220	-	15,220
Stock-based compensation	618,693	-	618,693
Adjustments for changes in working capital:			
Sales tax receivable	(26,583)	(999)	(27,582)
Prepaid expenses	12,997	(12,997)	-
Accounts payable and accrued liabilities	67,276	14,634	84,856
NET CASH USED IN OPERATING ACTIVITIES FROM CONTINUING OPERATIONS	(298,323)	(11,129)	(322,952)
FINANCING ACTIVITIES			
Notes receivable	-	-	(14,750)
Due on mineral rights acquisition	21,949	-	121,929
Advances from stockholders	84,988	29,711	124,699
Proceeds on issuance of capital stock	251,159	-	345,873
Stock to be issued	204,740	-	303,190
Subscriptions receivable	(103,247)	-	(103,247)
Dividends	(38,825)	-	(38,825)
NET CASH PROVIDED BY FINANCING ACTIVITIES FROM CONTINUING OPERATIONS	420,764	29,711	738,869
INVESTING ACTIVITIES			
Mineral rights	(46,276)	-	(233,250)
Acquisition of equipment	(6,615)	-	(6,615)
NET CASH USED IN INVESTING ACTIVITIES FROM CONTINUING	(52,891)	-	(239,865)

OPERATIONS			
NET INCREASE IN CASH FROM CONTINUING OPERATIONS	69,550	18,582	176,052
CASH FLOWS FOR DISCONTINUED OPERATIONS			
OPERATING ACTIVITIES			
Loss from discontinued operations	-	(441,486)	(441,486)
Adjustments for non-cash items:			
Stock-based compensation	-	270,859	270,859

Interest accrued on the long term loan for discontinued operations	Current			15,862			8,771
Deferred			13,937			14,774	
Total income tax expense (benefit)			29,799			23,545	
Income (loss) from continuing operations, net of tax			(103,376)			(143,587)	
Income (loss) from discontinued operations, net of tax			(157)			(75)	
Net income (loss)			(103,533)			(143,662)	
Less: Net (income) loss attributable to noncontrolling interest			(14,176)			(539)	
Net income (loss) attributable to Nabors			(117,709)			(144,201)	
Less: Preferred stock dividend			(4,313)			—	
Net income (loss) attributable to Nabors common shareholders		$	(122,022)		$	(144,201)	
Amounts attributable to Nabors common shareholders:							
Net income (loss) from continuing operations		$	(121,865)		$	(144,126)	
Net income (loss) from discontinued operations			(157)			(75)	
Net income (loss) attributable to Nabors common shareholders		$	(122,022)		$	(144,201)	
Earnings (losses) per share:							
Basic from continuing operations		$	(0.36)		$	(0.46)	
Basic from discontinued operations			—			—	
Total Basic		$	(0.36)		$	(0.46)	
Diluted from continuing operations		$	(0.36)		$	(0.46)	
Diluted from discontinued operations			—			—	
Total Diluted		$	(0.36)		$	(0.46)	
Weighted-average number of common shares outstanding:							
Basic			350,764			308,788	
Diluted			350,764			308,788	

The accompanying notes are an integral part of these condensed consolidated financial statements.

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	Three Months Ended March 31, 2019	2018
	(In thousands)	
Net income (loss) attributable to Nabors	$ (117,709)	$ (144,201)
Other comprehensive income (loss), before tax:		
Translation adjustment attributable to Nabors	9,190	(9,343)
Pension liability amortization and adjustment	54	54
Unrealized gains (losses) and amortization on cash flow hedges	140	140
Adoption of ASU No. 2016-01	—	(9,144)
Other comprehensive income (loss), before tax	9,384	(18,293)
Income tax expense (benefit) related to items of other comprehensive income (loss)	46	43
Other comprehensive income (loss), net of tax	9,338	(18,336)
Comprehensive income (loss) attributable to Nabors	(108,371)	(162,537)
Net income (loss) attributable to noncontrolling interest	14,176	539
Translation adjustment attributable to noncontrolling interest	52	(96)
Comprehensive income (loss) attributable to noncontrolling interest	14,228	443
Comprehensive income (loss)	$ (94,143)	$ (162,094)

The accompanying notes are an integral part of these condensed consolidated financial statements.

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended March 31, 2019	2018
	(In thousands)	
Cash flows from operating activities:		
Net income (loss)	$ (103,533)	$ (143,662)
Adjustments to net income (loss):		
Depreciation and amortization	210,397	214,008
Deferred income tax expense (benefit)	13,949	14,361
Impairments and other charges	82	—
Amortization of debt discount and deferred financing costs	7,730	7,302
Losses (gains) on debt buyback	(2,667)	—
Losses (gains) on long-lived assets, net	3,633	2,257
Losses (gains) on investments, net	(7,688)	723
Provision (recovery) of bad debt	(419)	(3,400)
Share-based compensation	8,424	8,628
Foreign currency transaction losses (gains), net	8,548	2,522
Noncontrolling interest	(14,176)	(540)
Other	212	166
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	14,914	(34,381)
Inventory	(685)	(7,835)
Other current assets	13,458	22,600
Other long-term assets	(23,907)	6,011
Trade accounts payable and accrued liabilities	(95,669)	(143,050)
Income taxes payable	6,107	836
Other long-term liabilities	31,144	(28,229)
Net cash (used for) provided by operating activities	69,854	(81,683)
Cash flows from investing activities:		
Purchases of investments	(4,221)	(676)
Sales and maturities of investments	1,134	1,148
Cash paid for acquisition of businesses, net of cash acquired	(2,929)	—
Capital expenditures	(141,070)	(94,026)
Proceeds from sales of assets and insurance claims	2,642	3,076
Net cash (used for) provided by investing activities	(144,444)	(90,478)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	—	800,000
Debt issuance costs	(35)	(12,928)
Proceeds from revolving credit facilities	180,000	615,000
Reduction in revolving credit facilities	(50,000)	(680,000)

Reduction in long-term debt	(43,540)	(460,837)
Dividends to common and preferred shareholders	(25,765)	(17,148)
Proceeds from (payment for) commercial paper	—	(40,000)
Proceeds from (payments for) short-term borrowings	289	194
Other	(1,493)	(2,245)
Net cash provided by financing activities	59,456	202,036
Effect of exchange rate changes on cash and cash equivalents	(2,791)	(867)
Net increase (decrease) in cash and cash equivalents and restricted cash	(17,925)	29,008
Cash and cash equivalents and restricted cash, beginning of period	451,080	342,029
Cash and cash equivalents and restricted cash, end of period	$ 433,155	$ 371,037
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		
Cash and cash equivalents, beginning of period	447,766	336,997
Restricted cash, beginning of period	3,314	5,032
Cash and cash equivalents and restricted cash, beginning of period	$ 451,080	$ 342,029
Cash and cash equivalents, end of period	429,127	367,039
Restricted cash, end of period	4,028	3,998
Cash and cash equivalents and restricted cash, end of period	$ 433,155	$ 371,037

The accompanying notes are an integral part of these condensed consolidated financial statements.

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

	Mandatory Convertible Preferred Shares		Common Shares		Capital in Excess of Par Value	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Shares	Non-controlling Interest	Tot Equ
ds)	Shares	Par Value	Shares	Par Value						
31,	—	$ —	367,510	$ 368	$ 2,791,129	$ 11,185	$ 1,423,154	$ (1,314,020)	$ 26,957	$ 2
	—	—	—	—	—	—	(144,201)	—	539	(
o s	—	—	—	—	—	—	(19,050)	—	—	(
sive s),	—	—	—	—	—	(18,336)	—	—	(96)	(
ares										
net r of l ns f	—	—	—	—	8,628	—	—	—	—	8
	—	—	—	—	—	—	9,144	—	—	9
f	—	—	—	—	—	—	(34,132)	—	—	(
	—	—	—	—	—	—	(2,399)	—	—	(
on										
ing										

	—	—	2,810	2	(1,864)	—	—	—	—	(
2018	—	$ —	370,320	$ 370	$ 2,797,893	$ (7,151)	$ 1,232,516	$ (1,314,020)	$ 27,400	$ 2
31,	5,750	$ 6	409,652	$ 410	$ 3,392,937	$ (29,325)	$ 650,842	$ (1,314,020)	$ 49,476	$ 2
o s	—	—	—	—	—	—	(117,709)	—	14,176	(
o s	—	—	—	—	—	—	(3,947)	—	—	(
	—	—	—	—	—	—	(4,313)	—	—	(4
sive s),	—	—	—	—	—	9,338	—	—	52	9
d on	—	—	—	—	8,424	—	—	—	—	8
on ing	—	—	—	—	—	—	(5,063)	—	—	(
	—	—	6,264	6	(1,251)	—	—	—	—	(
2019	5,750	$ 6	415,916	$ 416	$ 3,400,110	$ (19,987)	$ 519,810	$ (1,314,020)	$ 63,704	$ 2

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Nabors Industries Ltd. and Subsidiaries

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Nature of Operations

Unless the context requires otherwise, references in this report to "we," "us," "our," "the Company," or "Nabors" mean Nabors Industries Ltd., together with our subsidiaries where the context requires. References in this report to "Nabors Delaware" mean Nabors Industries, Inc., a wholly owned subsidiary of Nabors.

Our business is comprised of our global land-based and offshore drilling rig operations and other rig related services and technologies, consisting of equipment manufacturing, rig instrumentation and optimization software. We also specialize in tubular services, wellbore placement solutions and are a leading provider of directional drilling and MWD systems and services

With operations in approximately 25 countries, we are a global provider of drilling and drilling-related services for land-based and offshore oil and natural gas wells, with a fleet of rigs and drilling-related equipment which, as of March 31, 2019 included:

- 378 actively marketed rigs for land-based drilling operations in the United States, Canada and approximately 18 other countries throughout the world; and

- 33 actively marketed rigs for offshore drilling operations in the United States and multiple international markets.

Note 2 Summary of Significant Accounting Policies

Interim Financial Information

The accompanying unaudited condensed consolidated financial statements of Nabors have been prepared in conformity with generally accepted accounting principles in the United States ("U.S. GAAP"). Pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"), certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been omitted. Therefore, these financial statements should be read together with our annual report on Form 10-K for the year ended December 31, 2018 ("2018 Annual Report"). In management's opinion, the unaudited condensed consolidated financial statements contain all adjustments necessary to state fairly our financial position as of March 31, 2019 and the results of operations, comprehensive income (loss), cash flows and changes in equity for the periods presented herein. Interim results for the three months ended March 31, 2019 may not be indicative of results that will be realized for the full year ending December 31, 2019.

Principles of Consolidation

Our condensed consolidated financial statements include the accounts of Nabors, as well as all majority owned and non-majority owned subsidiaries required to be consolidated under U.S. GAAP. All significant intercompany accounts and transactions are eliminated in consolidation.

In addition to the consolidation of our majority owned subsidiaries, we also consolidate variable interest entities ("VIE") when we are determined to be the primary beneficiary of a VIE. Determination of the primary beneficiary of a VIE is based on whether an entity has (1) the power to direct activities that most significantly impact the economic performance of the VIE and (2) the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Our joint venture, SANAD, which is equally owned by Saudi Aramco and Nabors, has been consolidated. As we have the power to direct activities that most significantly impact SANAD's economic performance, including operations, maintenance and certain sourcing and procurement, we have determined Nabors to be the primary beneficiary. See Note 3—Joint Ventures.

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Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out or weighted-average cost methods and includes the cost of materials, labor and manufacturing overhead. Inventory included the following:

	March 31, 2019	December 31, 2018
	(In thousands)	
Raw materials	$ 119,480	$ 116,840
Work-in-progress	12,877	20,329
Finished goods	33,782	28,418
	$ 166,139	$ 165,587

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases, relating to leases to increase transparency and comparability among companies. This standard requires that all leases with an initial term greater than one year be recorded on the balance sheet as an asset and a lease liability. Additionally, this standard requires disclosures designed to give financial statement users information on the amount, timing, and uncertainty of cash flows arising from leases. We adopted this guidance under the modified retrospective approach as of January 1, 2019. We preliminarily determined that our drilling contracts contained a lease component, and the adoption would require us to separately recognize revenue associated with the lease and services components. In July 2018, the FASB issued ASU No. 2018-11, which provides a practical expedient that allows entities to combine lease and non-lease components where the revenue recognition pattern is the same and where the lease component, when accounted for separately, would be considered an operating lease. Our drilling contracts contain a lease component related to the underlying drilling equipment, in addition to the service component provided by our crews and our expertise to operate such drilling equipment. We have determined that the non-lease service component of our drilling contracts is the predominant element of the combined component and will account for the combined components as a single performance obligation under Topic 606, Revenue from Contracts with Customers. We have elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allows us to carry forward the historical accounting relating to lease identification and classification for existing leases upon adoption. With respect to leases whereby we are the lessee, we recognized upon adoption on January 1, 2019 lease liabilities and offsetting "right of use" assets of approximately $33.1 million based on the present value of the remaining minimum rental payments. See Note 12 — Leases.

Recent Accounting Pronouncements Not Yet Adopted

In February 2018, the FASB issued ASU No. 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017. In addition, the standard requires certain disclosures regarding stranded tax effects. This guidance is effective for public companies for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. We are currently evaluating the impact this will have on our financial statements.

Note 3 Joint Ventures

During 2016, we entered into an agreement with Saudi Aramco to form a joint venture known as SANAD to own, manage and operate onshore drilling rigs in the Kingdom of Saudi Arabia. SANAD is equally owned by Saudi Aramco and Nabors.

During 2017, Nabors and Saudi Aramco each contributed $20 million in cash for the purpose of capitalizing the joint venture upon formation. In addition, since inception Nabors and Saudi Aramco have each contributed a combination of drilling rigs, drilling rig equipment and other assets, including cash, each with a value of approximately $394 million to the joint venture. The contributions were received in exchange for redeemable ownership interests which accrue interest annually, have a twenty-five year maturity and are required to be converted to authorized capital should certain events occur, including the accumulation of specified losses. In the accompanying condensed consolidated balance sheet, Nabors has reported Saudi Aramco's share of authorized capital as a component of noncontrolling interest

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in equity and Saudi Aramco's share of the redeemable ownership interests as redeemable noncontrolling interest in subsidiary, classified as mezzanine equity. The accrued interest on the redeemable ownership interest is a non-cash financing activity and is reported as an increase in the redeemable noncontrolling interest in subsidiary line in our condensed consolidated balance sheet.

The condensed balance sheet of SANAD, as included in our consolidated balance sheet, is presented below.

	March 31, 2019	December 31, 2018
	(In thousands)	
Assets:		
Cash and cash equivalents	$ 242,476	$ 211,618
Accounts receivable	66,311	73,699
Other current assets	15,548	17,198
Property, plant and equipment, net	445,092	457,963
Other long-term assets	17,728	36,583
Total assets	$ 787,155	$ 797,061
Liabilities:		
Accounts payable	$ 61,787	$ 60,087
Accrued liabilities	13,254	8,530
Total liabilities	$ 75,041	$ 68,617

The assets of SANAD cannot be used by Nabors for general corporate purposes. Additionally, creditors of SANAD do not have recourse to other assets of Nabors.

Note 4 Fair Value Measurements

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date (exit price). We utilize market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. We primarily apply the market approach for recurring fair value measurements and endeavor to utilize the best information available. Accordingly, we employ valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The use of unobservable inputs is intended to allow for fair value determinations in situations where there is little, if any, market activity for the asset or liability at the measurement date. We are able to classify fair value balances utilizing a fair value hierarchy based on the observability of those inputs. Under the fair value hierarchy:

- Level 1 measurements include unadjusted quoted market prices for identical assets or liabilities in an active market;

- Level 2 measurements include quoted market prices for identical assets or liabilities in an active market that have been adjusted for items such as effects of restrictions for transferability and those that are not quoted but are observable through corroboration with observable market data, including quoted market prices for similar assets; and

- Level 3 measurements include those that are unobservable and of a subjective nature.

The following table sets forth, by level within the fair value hierarchy, our financial assets and liabilities that are accounted for at fair value on a recurring basis as of March 31, 2019 and December 31, 2018. Our debt securities could transfer into or out of a Level 1 or 2 measure depending on the availability of independent and current pricing at the end of each quarter. There were no transfers of our financial assets between Level 1 and Level 2 measures during the three months ended March 31, 2019. Our financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

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	Fair Value as of March 31, 2019		
	Level 1	Level 2	Level 3
	(In thousands)		
Assets:			
Short-term investments:			
Equity securities	$ 39,556	$ 1,026	$ —
Mortgage-CMO debt securities	—	8	—
Total short-term investments	$ 39,556	$ 1,034	$ —

	Fair Value as of December 31, 2018		
	Level 1	Level 2	Level 3
	(In thousands)		
Assets:			
Short-term investments:			
Equity securities	$ 33,250	$ 778	$ —
Mortgage-CMO debt securities	—	8	—
Total short-term investments	$ 33,250	$ 786	$ —

Nonrecurring Fair Value Measurements

We applied fair value measurements to our nonfinancial assets and liabilities measured on a nonrecurring basis, which consist of measurements primarily to assets held for sale, goodwill, intangible assets and other long-lived assets, assets acquired and liabilities assumed in a business combination and our pipeline contractual commitment. Based upon our review of the fair value hierarchy, the inputs used in these fair value measurements were considered Level 3 inputs.

Fair Value of Financial Instruments

We estimate the fair value of our financial instruments in accordance with U.S. GAAP. The fair value of our long-term debt, revolving credit facility and commercial paper is estimated based on quoted market prices or prices quoted from third-party financial institutions. The fair value of our debt instruments is determined using Level 2 measurements. The carrying and fair values of these liabilities were as follows:

	March 31, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
5.00% senior notes due September 2020	$ 614,825	$ 621,982	$ 614,748	$ 590,336
4.625% senior notes due September 2021	637,408	629,765	668,347	603,457
5.50% senior notes due January 2023	577,042	554,024	586,000	465,999
5.10% senior notes due September 2023	336,714	308,693	342,923	262,494
0.75% senior exchangeable notes due January 2024	456,077	410,257	450,689	358,012
5.75% senior notes due February 2025	791,502	711,093	791,502	598,953
2012 Revolving credit facility	300,000	300,000	170,000	170,000
2018 Revolving credit facility	—	—	—	—
Other	850	850	561	561
	3,714,418	$ 3,536,664	3,624,770	$ 3,049,812
Less: current portion	850		561	
Less: deferred financing costs	35,988		38,325	
	$ 3,677,580		$ 3,585,884	

The fair values of our cash equivalents, trade receivables and trade payables approximate their carrying values due to the short-term nature of these instruments.

As of March 31, 2019 and December 31, 2018, our short-term investments were carried at fair market value and included $40.6 million and $34.0 million, respectively.

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Note 5 Debt

Debt consisted of the following:

	March 31, 2019	December 31, 2018
	(In thousands)	
5.00% senior notes due September 2020	$ 614,825	$ 614,748
4.625% senior notes due September 2021	637,408	668,347
5.50% senior notes due January 2023	577,042	586,000
5.10% senior notes due September 2023	336,714	342,923
0.75% senior exchangeable notes due January 2024	456,077	450,689
5.75% senior notes due February 2025	791,502	791,502
2012 Revolving credit facility	300,000	170,000
2018 Revolving credit facility	—	—
Other	850	561
	3,714,418	3,624,770
Less: current portion	850	561
Less: deferred financing costs	35,988	38,325
	$ 3,677,580	$ 3,585,884

During the three months ended March 31, 2019, we repurchased the $46.2 million aggregate principal amount outstanding of our senior unsecured notes for approximately $44.5 million in cash, including principal, and $0.9 million in accrued and unpaid interest. In connection with the repurchase, we recognized a gain of approximately $2.7 million, which represents the discount in connection with these repurchases and is included in other, net in our condensed consolidated statement of income (loss) for the three months ended March 31, 2019.

5.75% Senior Notes Due February 2025

In January 2018, Nabors Industries, Inc. (“Nabors Delaware”), a wholly owned subsidiary of Nabors, issued $800 million in aggregate principal amount of 5.75% senior unsecured notes due February 1, 2025, which are fully and unconditionally guaranteed by Nabors. The notes subsequently were exchanged for notes registered under the Securities Act pursuant to an exchange offer that took place in August 2018. The notes pay interest semi-annually on February 1 and August 1, beginning on August 1, 2018, and will mature on February 1, 2025.

The notes rank equal in right of payment to all of Nabors Delaware’s existing and future unsubordinated indebtedness, and senior in right of payment to all of Nabors Delaware’s existing and future senior subordinated and subordinated indebtedness. Our guarantee of the notes is unsecured and an unsubordinated obligation and ranks equal in right of payments to all of our unsecured and unsubordinated indebtedness from time to time outstanding. In the event of a change of control triggering event, as defined in the indenture, the holders of the notes may require Nabors Delaware to purchase all or a portion of the notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any. The notes are redeemable in whole or in part at any time at the option of Nabors Delaware at a redemption price, plus accrued and unpaid interest, as specified in the indenture. Nabors Delaware used a portion of the proceeds to repay the amount outstanding on the 6.15% senior notes due February 2018. The remaining proceeds not used for such purposes were allocated for general corporate purposes, including to repay amounts outstanding under the commercial paper program and to repurchase or repay other indebtedness.

0.75% Senior Exchangeable Notes Due January 2024

In January 2017, Nabors Delaware issued $575 million in aggregate principal amount of 0.75% exchangeable senior unsecured notes due 2024, which are fully and unconditionally guaranteed by Nabors. The notes bear interest at a rate of 0.75% per year payable semiannually on January 15 and July 15 of each year, beginning on July 15, 2017. The exchangeable notes are bifurcated for accounting purposes into debt and equity components of $411.2 million and $163.8 million, respectively, based on the relative fair value. Debt issuance costs of $9.6 million and equity issuance costs of $3.9 million were capitalized in connection with the issuance of these notes in long-term debt and netted against the proceeds allocated to the equity component, respectively, in our condensed consolidated balance sheet. The debt issuance costs are being amortized through January 2024.

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The exchangeable notes are exchangeable, under certain conditions, at an initial exchange rate of 39.75 common shares of Nabors per $1,000 principal amount of exchangeable notes (equivalent to an initial exchange price of approximately $25.16 per common share). Upon any exchange, Nabors Delaware will settle its exchange obligation in cash, common shares of Nabors, or a combination of cash and common shares, at our election.

In connection with the pricing of the notes, we entered into privately negotiated capped call transactions which are expected to reduce potential dilution to common shares and/or offset potential cash payments required to be made in excess of the principal amount upon any exchange of notes. Such reduction and/or offset is subject to a cap representing a price per share of $31.45, an approximately 75.0% premium over our share price of $17.97 as of the date of the transaction. The capped call meets the definition of a derivative under ASC 815, Derivatives and Hedging, as it has an underlying (the Company's share price), a notional amount (the number of underlying shares to be purchased per option), an initial net investment less (by more than a nominal amount) than the amount that would have to be paid to own the underlying and provides for a default net share settlement (but could also be settled in cash at the election of the Company). However, the capped call meets the derivative scope exception under ASC 815 for instruments indexed to the Company's own stock and classified in shareholders' equity and therefore was initially recorded in equity. Until such time as the Company elects a settlement method for the exchangeable notes, the capped call transaction will continue to be accounted for as equity. At conversion, if the Company elects to partially settle the notes in cash in excess of the principal amount, or fully in cash, the capped call will be subject to mark to market through earnings as a derivative until such settlement is paid.

The net proceeds from the offering of the exchangeable notes were used to prepay the remaining balance of our unsecured term loan originally scheduled to mature in 2020, as well as to pay the cost of the capped call transactions. The remaining net proceeds from the offering were allocated for general corporate purposes, including to repurchase or repay other indebtedness.

2018 Revolving Credit Facility

On October 11, 2018, Nabors Delaware, Nabors Drilling Canada Limited, an Alberta corporation ("Nabors Canada"), Nabors and certain other of Nabors' wholly owned subsidiaries entered into a new five-year unsecured revolving facility with the lenders and issuing banks party thereto and Citibank, N.A., as administrative agent (the "2018 Revolving Credit Facility"). The 2018 Revolving Credit Facility has a borrowing capacity of $1.267 billion and is fully and unconditionally guaranteed by Nabors and certain of its wholly owned subsidiaries. The 2018 Revolving Credit Facility matures at the earlier of (a) October 11, 2023 and (b) July 19, 2022, if any of Nabors Delaware's existing 5.5% senior notes due January 2023 remain outstanding as of such date. Certain lenders have committed to provide Nabors Delaware an aggregate principal amount of $1.227 billion under the 2018 Revolving Credit Facility, which may be drawn in U.S. dollars, and HSBC Bank Canada has committed to provide Nabors Canada an aggregate principal amount of $40 million in U.S. dollar equivalent, which can be drawn upon in either U.S. or Canadian dollars. The 2018 Revolving Credit Facility contains certain affirmative and negative covenants, including a financial covenant requiring Nabors to maintain a net debt to capitalization ratio not in excess of 0.60:1. Our net debt to capital ratio was 0.55:1 as of March 31, 2019. The net debt to capital ratio is calculated by dividing net debt by net capitalization. Net debt is defined as total debt minus the sum of cash and cash equivalents and short-term investments. Net capitalization is defined as net debt plus shareholders' equity. As of March 31, 2019, our net debt could be higher by approximately $630.0 million, while still maintaining our net debt to capital ratio of 0.60:1. Borrowing from the revolving credit facilities to pay down other debt, such as the 5.00% senior notes due September 2020, does not adversely impact the ratio calculation. Therefore, the entire balance under the revolving credit facilities could be drawn to pay down outstanding debt. The ratio is only materially impacted by borrowing under the revolving credit facility to use for purposes other than retiring debt, which would increase our net debt. We can limit or control our spending through reductions in discretionary capital or other types of controllable expenditures, monetization of assets, accessing capital markets through a variety of alternative methods, or any combination of these alternatives if needed. We cannot make any assurances as to our ability to implement any or all of these alternatives.

Additionally, during any period in which Nabors Delaware fails to maintain an investment grade rating from at least two ratings agencies, the guarantors under the facility and their respective subsidiaries will be required to maintain an asset to debt coverage ratio (as defined in the 2018 Revolving Credit Facility) of at least 2.50:1. As of March 31, 2019, our asset to debt coverage ratio was 3.74:1. The asset to debt coverage ratio is calculated by dividing (x) drilling-related fixed assets wholly owned by certain of Nabors' subsidiaries that are guaranteeing the 2018 Revolving Credit Facility (the "2018 Revolver Guarantors") or wholly owned subsidiaries of the 2018 Revolver Guarantors by (y) total debt of the

2018 Revolver Guarantors (subject to certain exclusions). As of the date of this report, we had no borrowings outstanding under our 2018 Revolving Credit Facility. In order to make any future borrowings under the 2018 Revolving Credit Facility, Nabors and certain of its wholly owned subsidiaries are subject to compliance with the conditions and covenants contained therein, including compliance with applicable financial ratios.

2012 Revolving Credit Facility

In connection with the 2018 Revolving Credit Facility, on October 11, 2018, Nabors Delaware entered into Amendment No. 3 to its existing credit agreement dated November 29, 2012 (as amended, including such amendment, the "2012 Revolving Credit Facility"), among itself, Nabors, Nabors Canada, HSBC Bank Canada, the other lenders party thereto, Citibank, N.A., and Wilmington Trust, National Association, as successor administrative agent (the "Amendment"). The Amendment, among other things, provides for Citibank, N.A.'s resignation as administrative agent and the appointment of Wilmington Trust, National Association as administrative agent, reduces the overall commitments available to $666.25 million and provides for certain lenders to exit the facility in order to become lenders under the 2018 Revolving Credit Facility. Availability under the 2012 Revolving Credit Facility is subject to a covenant not to exceed a net debt to capital ratio of 0.60:1. As of March 31, 2019, we had $300.0 million outstanding under the 2012 Revolving Credit Facility. The weighted average interest rate on borrowings at March 31, 2019 was 4.00%. The 2012 Revolving Credit Facility matures on July 14, 2020.

As of the date of this report, we were in compliance with all covenants under the 2018 Revolving Credit Facility and 2012 Revolving Credit Facility. If we fail to perform our obligations under the covenants, the revolving credit commitment could be terminated, and any outstanding borrowings under the facility could be declared immediately due and payable.

Note 6 Shareholders' Equity

Common shares

In May 2018, we issued 35,000,000 shares of common stock at a price to the public of $7.75 per share. In connection with this offering, in June 2018 the underwriters exercised in full their option to purchase 5,250,000 additional common shares. Nabors received aggregate net proceeds of approximately $301.4 million after deducting underwriting discounts, commissions and offering expenses.

On February 22, 2019, a cash dividend of $0.01 per share was declared for shareholders of record on March 12, 2019. The dividend was paid on April 2, 2019 in the amount of $3.5 million. These dividends were charged to retained earnings in our condensed consolidated statements of changes in equity for the three months ended March 31, 2019.

On April 24, 2019, our Board of Directors declared a cash dividend of $0.01 per common share, which will be paid on July 2, 2019 to shareholders of record at the close of business on June 11, 2019.

Convertible Preferred Shares

In May 2018, we issued 5,750,000 (including the underwriters option for 750,000) of our 6% Series A Mandatory Convertible Preferred Shares (the “mandatory convertible preferred shares”), par value $.001 per share, with a liquidation preference of $50 per share. Nabors received aggregate net proceeds of approximately $277.9 million after deducting underwriting discounts, commissions and offering expenses.

The dividends on the mandatory convertible preferred shares are payable on a cumulative basis at a rate of 6% annually on the initial liquidation preference of $50 per share. Dividends accumulate and are paid quarterly to the extent that we have available funds and our Board of Directors declares a dividend payable. We may elect to pay any accumulated and unpaid dividends in cash or common shares or any combination thereof. At issuance, each mandatory convertible preferred share was automatically convertible into between 5.3763 and 6.4516 of our common shares based on the average share price over a period of twenty consecutive trading days ending prior to May 1, 2021, subject to anti-dilution adjustments. As a result of the dividends paid on our common shares since the offering, the conversion rate for each mandatory convertible preferred share has been adjusted to between 5.5946 and 6.7136 of our common shares. At any time prior to May 1, 2021, a holder of mandatory convertible preferred shares may convert such mandatory convertible preferred shares into our common shares at the minimum conversion rate, subject to adjustment.

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On February 22, 2019, a cash dividend of $0.75 per mandatory convertible preferred share was declared for shareholders of record on April 15, 2019. The dividend was paid on May 1, 2019 in the amount of $4.3 million. These dividends were charged to retained earnings in our condensed consolidated statements of changes in equity for the three months ended March 31, 2019.

On April 24, 2019, our Board of Directors declared a cash dividend of $0.75 per mandatory convertible preferred share, which will be paid on August 1, 2019 to shareholders of record at the close of business on July 15, 2019.

Note 7 Commitments and Contingencies

Contingencies

Income Tax

We operate in a number of countries and our tax returns filed in those jurisdictions are subject to review and examination by tax authorities within those jurisdictions. We do not recognize the benefit of income tax positions we believe are more likely than not to be disallowed upon challenge by a tax authority. If any tax authority successfully challenges our operational structure, intercompany pricing policies or the taxable presence of our subsidiaries in certain countries, if the terms of certain income tax treaties are interpreted in a manner that is adverse to our structure, or if we lose a material tax dispute in any country, our effective tax rate on our worldwide earnings could change substantially.

In certain jurisdictions we have recognized deferred tax assets and liabilities. Judgment and assumptions are required in determining whether deferred tax assets will be fully or partially utilized. When we estimate that all or some portion of certain deferred tax assets such as net operating loss carryforwards will not be utilized, we establish a valuation allowance for the amount we determine to be more likely than not unrealizable. We continually evaluate strategies that could allow for future utilization of our deferred assets. Any change in the ability to utilize such deferred assets will be accounted for in the period of the event affecting the valuation allowance. If facts and circumstances cause us to change our expectations regarding future tax consequences, the resulting adjustments could have a material effect on our financial results or cash flow. At this time, we consider it more likely than not that we will have sufficient taxable income in the future that will allow us to realize the deferred tax assets that we have recognized. However, it is possible that some of our recognized deferred tax assets, relating to net operating loss carryforwards, could expire unused or could carryforward indefinitely without utilization. Therefore, unless we are able to generate sufficient taxable income from our component operations, a substantial valuation allowance to reduce our deferred tax assets may be required, which would materially increase our tax expense in the period the allowance is recognized and materially adversely affect our results of operations and statement of financial condition.

Litigation

Nabors and its subsidiaries are defendants or otherwise involved in a number of lawsuits in the ordinary course of business. We estimate the range of our liability related to pending litigation when we believe the amount and range of loss can be estimated. We record our best estimate of a loss when the loss is considered probable. When a liability is probable and there is a range of estimated loss with no best estimate in the range, we record the minimum estimated liability related to the lawsuits or claims. As additional information becomes available, we assess the potential liability related to our pending litigation and claims and revise our estimates. Due to uncertainties related to the resolution of lawsuits and claims, the ultimate outcome may differ from our estimates. For matters where an unfavorable outcome is reasonably possible and significant, we disclose the nature of the matter and a range of potential exposure, unless an estimate cannot be made at the time of disclosure. In the opinion of management and based on liability accruals provided, our ultimate exposure with respect to these pending lawsuits and claims is not expected to have a material adverse effect on our consolidated financial position or cash flows, although they could have a material adverse effect on our results of operations for a particular reporting period.

In March 2011, the Court of Ouargla entered a judgment of approximately $23.6 million (at March 31, 2019 exchange rates) against us relating to alleged violations of Algeria's foreign currency exchange controls, which require that goods and services provided locally be invoiced and paid in local currency. The case relates to certain foreign currency payments made to us by CEPSA, a Spanish operator, for wells drilled in 2006. Approximately $7.5 million of the total contract amount was paid offshore in foreign currency, and approximately $3.2 million was paid in local

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currency. The judgment includes fines and penalties of approximately four times the amount at issue. We have appealed the ruling based on our understanding that the law in question applies only to resident entities incorporated under Algerian law. An intermediate court of appeals upheld the lower court's ruling, and we appealed the matter to the Supreme Court. On September 25, 2014, the Supreme Court overturned the verdict against us, and the case was reheard by the Ouargla Court of Appeals on March 22, 2015 in light of the Supreme Court's opinion. On March 29, 2015, the Ouargla Court of Appeals reinstated the initial judgment against us. We have appealed this decision again to the Supreme Court. While our payments were consistent with our historical operations in the country, and, we believe, those of other multinational corporations there, as well as interpretations of the law by the Central Bank of Algeria, the ultimate resolution of this matter could result in a loss of up to $15.6 million in excess of amounts accrued.

On September 29, 2017, Nabors and Nabors Maple Acquisition Ltd. were sued, along with Tesco Corporation and its Board of Directors, in a putative shareholder class action filed in the United States District Court for the Southern District of Texas, Houston Division. The plaintiff alleges that the September 18, 2017 Preliminary Proxy Statement filed by Tesco with the United States Securities and Exchange Commission omitted material information with respect to the proposed transaction between Tesco and Nabors announced on August 14, 2017. The plaintiff claims that the omissions rendered the Proxy Statement false and misleading, constituting a violation of Sections 14(a) and 20(a) of the Securities Exchange Act of 1934. The court consolidated several matters and entered a lead plaintiff appointment order. The plaintiff filed their amended complaint, adding Nabors Industries, Ltd. as a party to the consolidated action. Nabors filed its motion to dismiss, which was granted by the court on March 29, 2019. Plaintiffs have thirty (30) days to seek a new trial or file an appeal. Nabors will continue to vehemently defend itself against the allegations.

Following a routine audit conducted in May and June of 2018 by the Atyrau Oblast Ecology Department (the "AOED"), our joint venture in Kazakhstan, KMG Nabors Drilling Company ("KNDC"), was administratively fined for not having emissions permits for KNDC owned or leased equipment. Prior to this audit, the AOED had always accepted the operator's permits for all of their subcontractors. However, because of major personnel changes, AOED changed this position and is now requiring that the owner/lessor of the equipment that emits the pollutants must have its own permits. Administrative fines have been issued to KNDC and paid in the amount of $0.8 million for violations regarding the failure to have proper permits, and consequently additional "environmental damages" that have been created during the period while KNDC did not hold its' own permit for the emissions are pending that could exceed $3.4 million. Additional damages in the form of later year audits and taxes could become due as well exposing KNDC to possible additional penalties and fines in an amount estimated to be up to approximately $4.0 million. KNDC believes and is taking the stance, that the operator of the wells has a contractual obligation to reimburse KNDC for any and all such fines. The operator initially agreed with this approach, but then reversed its position in late 2018. In addition, KNDC has challenged the AOED's decision both administratively and through the courts. The administrative appeal remains pending. The original administrative decision has been affirmed in the lower courts, and on February 6, 2019, the decision was appealed to the Supreme Court. The initial hearing in the Supreme Court took place and the decision is pending. Nabors intends to vigorously defend itself and pursue all remedies at its disposal.

Off-Balance Sheet Arrangements (Including Guarantees)

We are a party to some transactions, agreements or other contractual arrangements defined as "off-balance sheet arrangements" that could have a material future effect on our financial position, results of operations, liquidity and capital resources. The most significant of these off-balance sheet arrangements involve agreements and obligations under which we provide financial or performance assurance to third parties. Certain of these agreements serve as guarantees, including standby letters of credit issued on behalf of insurance carriers in conjunction with our workers' compensation insurance program and other financial surety instruments such as bonds. In addition, we have provided indemnifications, which serve as guarantees, to some third parties. These guarantees include indemnification provided by Nabors to our share transfer agent and our insurance carriers. We are not able to estimate the potential future maximum payments that might be due under our indemnification guarantees.

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Management believes the likelihood that we would be required to perform or otherwise incur any material losses associated with any of these guarantees is remote. The following table summarizes the total maximum amount of financial guarantees issued by Nabors:

	Maximum Amount				
	2019	2020	2021	Thereafter	Total
	(In thousands)				
Financial standby letters of credit and other financial surety instruments	$ 213,018	1,168	—	—	$ 214,186

Note 8 Earnings (Losses) Per Share

ASC 260, Earnings per Share, requires companies to treat unvested share-based payment awards that have nonforfeitable rights to dividends or dividend equivalents as a separate class of securities in calculating earnings (losses) per share. We have granted and expect to continue to grant to employees restricted stock grants that contain nonforfeitable rights to dividends. Such grants are considered participating securities under ASC 260. As such, we are required to include these grants in the calculation of our basic earnings (losses) per share and calculate basic earnings (losses) per share using the two-class method. The two-class method of computing earnings per share is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared and participation rights in undistributed earnings. The participating security holders are not contractually obligated to share in losses. Therefore, losses are not allocated to the participating security holders.

Basic earnings (losses) per share is computed utilizing the two-class method and is calculated based on the weighted-average number of common shares outstanding during the periods presented.

Diluted earnings (losses) per share is computed using the weighted-average number of common and common equivalent shares outstanding during the periods utilizing the two-class method for stock options and unvested restricted stock. Shares issuable upon exchange of the $575 million 0.75% exchangeable notes are not included in the calculation of diluted earnings (losses) per share unless the exchange value of the notes exceeds their principal amount at the end of the relevant reporting period, in which case the notes will be accounted for as if the number of common shares that would be necessary to settle the excess are issued. Such shares are only included in the calculation of the weighted-average number of shares outstanding in our diluted earnings (losses) per share calculation, when the price of our shares exceeds $25.16 on the last trading day of the quarter, which did not occur during the three months ended March 31, 2019.

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A reconciliation of the numerators and denominators of the basic and diluted earnings (losses) per share computations is as follows:

	Three Months Ended March 31, 2019	2018
	(In thousands, except per share amounts)	
BASIC EPS:		
Net income (loss) (numerator):		
Income (loss) from continuing operations, net of tax	$ (103,376)	$ (143,587)
Less: net (income) loss attributable to noncontrolling interest	(14,176)	(539)
Less: preferred stock dividends	(4,313)	—
Less: accrued distribution on redeemable noncontrolling interest in subsidiary	(5,063)	(2,399)
Less: distributed and undistributed earnings allocated to unvested shareholders	(118)	3,360
Numerator for basic earnings per share:		
Adjusted income (loss) from continuing operations, net of tax - basic	$ (127,046)	$ (143,165)
Income (loss) from discontinued operations, net of tax	$ (157)	$ (75)
Weighted-average number of shares outstanding - basic	350,764	308,788
Earnings (losses) per share:		
Basic from continuing operations	$ (0.36)	$ (0.46)
Basic from discontinued operations	—	—
Total Basic	$ (0.36)	$ (0.46)
DILUTED EPS:		
Adjusted income (loss) from continuing operations, net of tax - basic	$ (127,046)	$ (143,165)
Add: effect of reallocating undistributed earnings of unvested shareholders	—	—
Adjusted income (loss) from continuing operations, net of tax - diluted	$ (127,046)	$ (143,165)
Income (loss) from discontinued operations, net of tax	$ (157)	$ (75)
Weighted-average number of shares outstanding - basic	350,764	308,788
Add: dilutive effect of potential common shares	—	—
Weighted-average number of shares outstanding - diluted	350,764	308,788
Earnings (losses) per share:		
Diluted from continuing operations	$ (0.36)	$ (0.46)
Diluted from discontinued operations	—	—
Total Diluted	$ (0.36)	$ (0.46)

For all periods presented, the computation of diluted earnings (losses) per share excludes outstanding stock options with exercise prices greater than the average market price of Nabors' common shares, because their inclusion would be anti-dilutive and because they are not considered participating securities. For periods in which we experience a net loss from continuing operations, all potential common shares have been excluded from the calculation of weighted-average shares outstanding, because their inclusion would be anti-dilutive. The average number of options that were excluded from diluted earnings (losses) per share that would potentially dilute earnings per share in the future were as follows:

	Three Months Ended March 31,	
	2019	2018
	(In thousands)	
Potentially dilutive securities excluded as anti-dilutive	2,563	4,534

In any period during which the average market price of Nabors' common shares exceeds the exercise prices of these stock options, such stock options will be included in our diluted earnings (losses) per share computation using the if-converted method of accounting. Restricted stock is included in our basic and diluted earnings (losses) per share computation using the two-class method of accounting in all periods because such stock is considered participating securities.

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Additionally, we excluded 38.6 million common shares from the computation of diluted shares issuable upon the conversion of mandatory convertible preferred shares, because their effect would be anti-dilutive under the if-converted method.

Note 9 Supplemental Balance Sheet and Income Statement Information

Accrued liabilities included the following:

	March 31, 2019	December 31, 2018
	(In thousands)	
Accrued compensation	$ 74,104	$ 92,358
Deferred revenue and proceeds on insurance and asset sales	125,777	149,266
Other taxes payable	15,460	33,199
Workers' compensation liabilities	15,214	16,316
Interest payable	18,982	59,718
Litigation reserves	20,494	24,926
Current liability to discontinued operations	999	2,445
Dividends declared and payable	3,514	25,330
Other accrued liabilities	23,515	14,354
	$ 298,059	$ 417,912

Investment income (loss) includes the following:

	Three Months Ended March 31,	
	2019	2018
	(In thousands)	
Interest and dividend income	$ 2,033	$ 1,191
Gains (losses) on marketable securities	7,644	(726)
	$ 9,677	$ 465

Other, net included the following:

	Three Months Ended March 31, 2019	2018
	(In thousands)	
Losses (gains) on sales, disposals and involuntary conversions of long-lived assets	$ 3,633	$ 2,240
Transaction related costs (1)	—	7,044
Litigation expenses and reserves	7,132	3,600
Foreign currency transaction losses (gains)	8,573	2,503
(Gain) loss on debt buyback	(2,667)	—
Other losses (gains)	831	(1,298)
	$ 17,502	$ 14,089

(1) Represents transaction related costs, including professional fees, severances, facility closure costs and other cost rationalization items, primarily in connection with the acquisition of Tesco.

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The changes in accumulated other comprehensive income (loss), by component, included the following:

	Gains (losses) on cash flow hedges	Unrealized gains (losses) on available-for-sale securities	Defined benefit pension plan items	Foreign currency items	Total
	(In thousands (1))				
As of January 1, 2018	$ (922)	$ 9,144	$ (4,111)	$ 7,074	$ 11,185
Other comprehensive income (loss) before reclassifications	—	—	—	(9,343)	(9,343)
Amounts reclassified from accumulated other comprehensive income (loss)	109	—	42	—	151
Adoption of ASU No. 2016-01	—	(9,144)	—	—	(9,144)
Net other comprehensive income (loss)	109	(9,144)	42	(9,343)	(18,336)
As of March 31, 2018	$ (813)	$ —	$ (4,069)	$ (2,269)	$ (7,151)

(1) All amounts are net of tax.

	Gains (losses) on cash flow hedges	Unrealized gains (losses) on available-for-sale securities	Defined benefit pension plan items	Foreign currency items	Total
	(In thousands (1))				
As of January 1, 2019	$ (492)	$ —	$ (3,945)	$ (24,888)	$ (29,325)
Other comprehensive income (loss) before reclassifications	—	—	—	9,190	9,190
Amounts reclassified from accumulated other comprehensive income (loss)	106	—	42	—	148
Net other comprehensive income (loss)	106	—	42	9,190	9,338
As of March 31, 2019	$ (386)	$ —	$ (3,903)	$ (15,698)	$ (19,987)

(1) All amounts are net of tax.

The line items that were reclassified to net income included the following:

Three Months Ended

	March 31, 2019	2018
	(In thousands)	
Interest expense	$ 140	$ 140
General and administrative expenses	54	54
Total income (loss) from continuing operations before income tax	(194)	(194)
Tax expense (benefit)	(46)	(43)
Reclassification adjustment for (gains)/ losses included in net income (loss)	$ (148)	$ (151)

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Note 10 Segment Information

The following table sets forth financial information with respect to our reportable operating segments:

	Three Months Ended March 31, 2019	2018
	(In thousands)	
Operating revenues:		
U.S. Drilling	$ 320,209	$ 241,002
Canada Drilling	25,315	31,887
International Drilling	337,256	368,845
Drilling Solutions	65,422	62,648
Rig Technologies	71,753	64,669
Other reconciling items (1)	(20,315)	(34,857)
Total	$ 799,640	$ 734,194

	Three Months Ended March 31, 2019	2018
	(In thousands)	
Adjusted operating income (loss): (2)		
U.S. Drilling	$ 24,683	$ (19,746)
Canada Drilling	(59)	(592)
International Drilling	(5,637)	24,536
Drilling Solutions	12,855	8,721
Rig Technologies	(5,148)	(12,976)
Total segment adjusted operating income (loss)	$ 26,694	$ (57)

	Three Months Ended March 31, 2019	2018
	(In thousands)	
Reconciliation of segment adjusted operating income (loss) to net income (loss) from continuing operations before income taxes:		
Total segment adjusted operating income (loss) (2)	$ 26,694	$ (57)
Other reconciling items (3)	(40,089)	(44,977)
Earnings (losses) from unconsolidated affiliates	(5)	2
Investment income (loss)	9,677	465

Interest expense	(52,352)	(61,386)
Other, net	(17,502)	(14,089)
Income (loss) from continuing operations before income taxes	$ (73,577)	$ (120,042)

	March 31, 2019	December 31, 2018
	(In thousands)	
Total assets:		
U.S. Drilling	$ 2,954,828	$ 2,982,974
Canada Drilling	250,417	252,817
International Drilling	3,243,297	3,320,347
Drilling Solutions	269,329	281,078
Rig Technologies	426,517	401,044
Other reconciling items (3)	629,296	615,684
Total	$ 7,773,684	$ 7,853,944

(1) Represents the elimination of inter-segment transactions.

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(2) Adjusted operating income (loss) represents income (loss) from continuing operations before income taxes, interest expense, earnings (losses) from unconsolidated affiliates, investment income (loss) and other, net. Management evaluates the performance of our operating segments using adjusted operating income (loss), which is a segment performance measure, because it believes that this financial measure reflects our ongoing profitability and performance. In addition, securities analysts and investors use this measure as one of the metrics on which they analyze our performance. A reconciliation to income (loss) from continuing operations before income taxes is provided in the above table.

(3) Represents the elimination of inter-segment transactions and unallocated corporate expenses and assets.

Note 11 Revenue Recognition

We recognize revenue when control of a good or service promised in a contract (i.e., performance obligation) is transferred to a customer. Control is obtained when a customer has the ability to direct the use of and obtain substantially all of the remaining benefits from that good or service. Contract drilling revenues are recorded over time utilizing the input method based on time elapsed. The measurement of progress considers the transfer of the service to the customer as we provide daily drilling services. We receive payment after the services have been performed by billing customers periodically (typically monthly). However, a portion of our revenues are recognized at a point-in-time as control is transferred at a distinct point in time such as with the sale of our top drives and other capital equipment. Within our drilling contracts, we have identified one performance obligation in which the transaction price is allocated.

Disaggregation of revenue

In the following table, revenue is disaggregated by geographical region. The table also includes a reconciliation of the disaggregated revenue with the reportable segments:

	Three Months Ended March 31, 2019						
	U.S. Drilling	Canada Drilling	International Drilling	Drilling Solutions	Rig Technologies	Other	Total
	(In thousands)						
Lower 48	$ 258,871	$ —	$ —	$ 44,052	$ 54,735	$ —	$ 357,658
U.S. Offshore	41,481	—	—	4,244	—	—	45,725

Gulf of Mexico							
Alaska	19,857	—	—	1,728	303	—	21,888
Canada	—	25,315	—	673	2,628	—	28,616
Middle East & Asia	—	—	187,969	10,505	10,601	—	209,075
Latin America	—	—	92,366	3,231	920	—	96,517
Europe, Africa & CIS	—	—	56,921	989	2,566	—	60,476
Eliminations & other	—	—	—	—	—	(20,315)	(20,315)
Total	$ 320,209	$ 25,315	$ 337,256	$ 65,422	$ 71,753	$ (20,315)	$ 799,640

Three Months Ended March 31, 2018

	U.S. Drilling	Canada Drilling	International Drilling	Drilling Solutions	Rig Technologies	Other	Total
	(In thousands)						
Lower 48	$ 204,592	$ —	$ —	$ 44,273	$ 50,597	$ —	$ 299,462
U.S. Offshore Gulf of Mexico	20,991	—	—	3,299	—	—	24,290
Alaska	15,419	—	—	566	136	—	16,121
Canada	—	31,887	—	2,290	3,391	—	37,568
Middle East & Asia	—	—	233,857	7,725	5,208	—	246,790
Latin America	—	—	83,883	3,984	1,658	—	89,525
Europe, Africa & CIS	—	—	51,105	511	3,679	—	55,295
Eliminations & other	—	—	—	—	—	(34,857)	(34,857)
Total	$ 241,002	$ 31,887	$ 368,845	$ 62,648	$ 64,669	$ (34,857)	$ 734,194

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Contract balances

We perform our obligations under a contract with a customer by transferring goods or services in exchange for consideration from the customer. We recognize a contract asset or liability when we transfer goods or services to a customer and bill an amount which differs from the revenue allocated to the related performance obligations.

The timing of revenue recognition may differ from the timing of invoicing to customers and these timing differences result in receivables, contract assets, or contract liabilities (deferred revenue) on our condensed consolidated balance sheet. In general, we receive payments from customers based on dayrates as stipulated in our contracts (i.e. operating rate, standby rate). The invoices billed to the customer are based on the varying rates applicable to the operating status on each rig. Accounts receivable are recorded when the right to consideration becomes unconditional.

Dayrate contracts also may contain fees charged to the customer for up-front rig modifications, mobilization and demobilization of equipment and personnel. These fees are associated with contract fulfillment activities, and the related revenue (subject to any constraint on estimates of variable consideration) is allocated to a single performance obligation and recognized ratably over the initial term of the contract. Mobilization fees are generally billable to the customer in the initial phase of a contract and generate contract liabilities until they are recognized as revenue. Demobilization fees are generally received at the end of the contract and generate contract assets when they are recognized as revenue prior to becoming receivables from the customer.

We receive reimbursements from our customers for the purchase of supplies, equipment, personnel services and other services provided at their request. Reimbursable revenues are variable and subject to uncertainty as the amounts received and timing thereof are dependent on factors outside of our influence. Accordingly, these revenues are constrained and not recognized until the uncertainty is resolved, which typically occurs when the related costs are incurred on behalf of the customer. We are generally considered a principal in these transactions and record the associated revenues at the gross amounts billed to the customer.

The opening and closing balances of our receivables, contract assets and current and long-term contract liabilities are as follows:

	Contract Receivables	Contract Assets (Current)	Contract Assets (Long-term)	Contract Liabilities (Current)	Contract Liabilities (Long-term)
	(In millions)				
As of December 31, 2018	$ 791.2	$ 55.8	$ 32.3	$ 116.7	$ 69.7
As of March 31, 2019	$ 776.5	$ 48.0	$ 27.7	$ 95.1	$ 66.7

Approximately 53% of the contract liability balance at the beginning of the period is expected to be recognized as revenue during 2019, of which 21% was recognized during the three months ended March 31, 2019, and 29% is expected to be recognized during 2020. The remaining 18% of the contract liability balance at the beginning of the period is expected to be recognized as revenue during 2021 or thereafter.

Additionally, 46% of the contract asset balance at the beginning of the period is expected to be recognized as expense during 2019, of which 21% was recognized during the three months ended March 31, 2019, and 32% is expected to be recognized during 2020. The remaining 22% of the contract asset balance at the beginning of the period is expected to be recognized as expense during 2021 or thereafter. This disclosure does not include variable consideration allocated entirely to a wholly unsatisfied performance obligation or promise to transfer a distinct good or service that forms part of a single performance obligation.

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Note 12 Leases

Prior to January 1, 2019, we accounted for leases under ASC 840 and did not record any right of use asset or corresponding lease liability. We adopted ASC 842 using a modified retrospective with an effective date of January 1, 2019. As such, financial information for prior periods has not been adjusted and continues to be reported under ASC 840. Effective with the adoption of ASC 842, we have changed our accounting policy for leases as detailed below.

We have evaluated the provisions of ASC 842, including certain practical expedients allowed. The significant practical expedients we adopted include the following:

· We elected the practical expedient to apply the transition approach as of the beginning of the period of adoption and not restate comparative periods;

· We elected to utilize the “package of three” expedients, as defined in ASC 842, whereby we did not reassess whether contracts existing prior to the effective date contain leases, nor did we reassess lease classification determinations nor whether initial direct costs qualify for capitalization;

· We elected the practical expedient to not capitalize any leases with initial terms of twelve months or less on our condensed consolidated balance sheet;

· For all underlying classes of leased assets, we elected the practical expedient to not separate lease and non-lease components; and

· We elected the practical expedient to continue to account for land easements (also known as “rights of way”) that were not previously accounted for as leases consistent with prior accounting until such contracts are modified or replaced, at which time they would be assessed for lease classification under ASC 842.

As of the date of implementation on January 1, 2019, the impact of the adoption of ASC 842 resulted in the recognition of a right of use asset and lease payable obligation on our condensed consolidated balance sheet of approximately $33.1 million. As the right of use asset and the lease payable obligation were the same, there was no cumulative effect impact on retained earnings.

We determine whether a contract is or contains a lease at inception of the contract based on answers to a series of questions that address whether an identified asset exists and whether we have the right to obtain substantially all of the benefit of the assets and to control its use over the full term of the agreement. When available, we use the rate implicit in the lease to discount lease payments to present value; however, most of our leases do not provide a readily determinable implicit rate. Therefore, we must estimate our incremental borrowing rate using a credit notching approach to discount the lease payments based on information available at lease commencement. We do not separate lease and nonlease components of contracts. There are no material residual value guarantees nor any restrictions or covenants included in our lease agreements. Certain of our leases include provisions for variable payments. These variable payments are typically determined based on a measure of throughput or actual days or another measure of usage and are not included in the calculation of lease liabilities and right-of-use assets.

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Lease Position

The table below presents the lease related assets and liabilities recorded on our condensed consolidated balance sheet as of March 31, 2019:

	Classification on the Balance Sheet	March 31, 2019 (In thousands)
Assets		
Operating lease assets	Other long-term assets	$ 29,798
Total lease assets		$ 29,798
Liabilities		
Current liabilities:		
Operating lease liabilities	Current lease liabilities	$ 10,991
Noncurrent liabilities:		
Operating lease liabilities	Other long-term liabilities	$ 18,807
Total lease liabilities		$ 29,798

Lease Costs

The table below presents certain information related to the lease costs for our operating leases for the three months ended March 31, 2019:

	Three Months Ended March 31, 2019 (In thousands)
Operating lease cost	$ 3,669
Short-term lease cost	1,390
Variable lease cost	—
Total lease cost	$ 5,059

Other Information

The table below presents supplemental cash flow information related to leases for the three months ended March 31, 2019:

	Three Months Ended March 31, 2019 (In thousands)
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	$ 3,669

Lease Terms and Discount Rates

The table below presents certain information related to the weighted average remaining lease terms and weighted average discount rates for our operating leases as of March 31, 2019:

	Three Months Ended March 31, 2019
Weighted-average remaining lease term - operating leases	2.63 years
Weighted-average discount rate - operating leases	5.71%

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Undiscounted Cash Flows

The table below reconciled the undiscounted cash flows for each of the first five years and the total remaining years to the operating lease liabilities recorded on the balance sheet as of March 31, 2019:

	March 31, 2019 (In thousands)
2019	$ 9,407
2020	8,846
2021	5,832
2022	3,301
2023	1,918
Thereafter	7,682
Total undiscounted lease liability	36,986
Less: amount of lease payments representing interest	(7,188)
Long-term lease obligations	$ 29,798

As of March 31, 2019, we had additional leases that have not yet commenced of approximately $8.6 million. These leases will commence in the fourth quarter of 2019 with lease terms of 12 years.

The minimum rental commitments under non-cancelable operating leases under ASC 840 as disclosed in our 2018 Annual Report, with lease terms in excess of one year subsequent to December 31, 2018, were as follows:

	December 31, 2018 (In thousands)
2019	$ 10,701
2020	7,104
2021	3,774
2022	2,356
2023	1,538
Thereafter	7,482
Total minimum lease payments	$ 32,955

Note 13 Condensed Consolidating Financial Information

Nabors has fully and unconditionally guaranteed all of the issued public debt securities of Nabors Delaware, a 100% wholly owned subsidiary. The following condensed consolidating financial information is included so that separate financial statements of Nabors Delaware are not required to be filed with the SEC. The condensed consolidating financial statements present investments in both consolidated and unconsolidated affiliates using the equity method of accounting.

The following condensed consolidating financial information presents condensed consolidating balance sheets as of March 31, 2019 and December 31, 2018, statements of income (loss) and statements of other comprehensive income (loss) for the three months ended March 31, 2019 and 2018, and statements of cash flows for the three months ended March 31, 2019 and 2018 of (a) Nabors, parent/guarantor, (b) Nabors Delaware, issuer of public debt securities guaranteed by Nabors, (c) the non-guarantor subsidiaries, (d) consolidating adjustments necessary to consolidate Nabors and its subsidiaries and (e) Nabors on a consolidated basis.

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Condensed Consolidating Balance Sheets

	March 31, 2019				
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer)	Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Total
	(In thousands)				
	ASSETS				
Current assets:					
Cash and cash equivalents	$ 334	$ 41	$ 428,752	$ —	$ 429,127
Short-term investments	—	—	40,590	—	40,590
Accounts receivable, net	—	—	743,528	—	743,528
Inventory, net	—	—	166,139	—	166,139
Assets held for sale	—	—	12,330	—	12,330
Other current assets	417	433	163,339	—	164,189
Total current assets	751	474	1,554,678	—	1,555,903
Property, plant and equipment, net	—	—	5,399,514	—	5,399,514
Goodwill	—	—	184,104	—	184,104
Intercompany receivables	100,764	219,756	2,611	(323,131)	—
Investment in consolidated affiliates	2,492,908	5,568,841	4,118,531	(12,180,280)	—
Deferred income taxes	—	399,679	344,531	(399,679)	344,531
Other long-term assets	—	110	303,847	(14,325)	289,632
Total assets	$ 2,594,423	$ 6,188,860	$ 11,907,816	$ (12,917,415)	$ 7,773,684
	LIABILITIES AND EQUITY				
Current liabilities:					
Current portion of debt	$ —	$ —	$ 850	$ —	$ 850
Trade accounts payable	118	41	399,643	—	399,802
Accrued liabilities	7,970	18,985	271,104	—	298,059
Income taxes payable	—	—	26,100	—	26,100
Current lease liabilities	—	—	10,991	—	10,991
Total current liabilities	8,088	19,026	708,688	—	735,802
Long-term debt	—	3,691,905	—	(14,325)	3,677,580
Other long-term liabilities	—	29,331	251,260	—	280,591
Deferred income taxes	—	—	419,428	(399,679)	19,749
Intercompany payable	—	—	323,131	(323,131)	—
Total liabilities	8,088	3,740,262	1,702,507	(737,135)	4,713,722
Redeemable noncontrolling interest in subsidiary	—	—	409,923	—	409,923
Shareholders' equity	2,586,335	2,448,598	9,731,682	(12,180,280)	2,586,335
Noncontrolling interest	—	—	63,704	—	63,704
Total equity	2,586,335	2,448,598	9,795,386	(12,180,280)	2,650,039
Total liabilities and equity	$ 2,594,423	$ 6,188,860	$ 11,907,816	$ (12,917,415)	$ 7,773,684

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Condensed Consolidating Balance Sheets

	December 31, 2018				
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer)	Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Total
	(In thousands)				
	ASSETS				
Current assets:					
Cash and cash equivalents	$ 474	$ 42	$ 447,250	$ —	$ 447,766
Short-term investments	—	—	34,036	—	34,036
Accounts receivable, net	—	—	756,320	—	756,320
Inventory, net	—	—	165,587	—	165,587
Assets held for sale	—	—	12,250	—	12,250
Other current assets	50	433	177,121	—	177,604
Total current assets	524	475	1,592,564	—	1,593,563
Property, plant and equipment, net	—	—	5,467,870	—	5,467,870
Goodwill	—	—	183,914	—	183,914
Intercompany receivables	95,946	218,129	2,611	(316,686)	—
Investment in consolidated affiliates	2,658,827	5,494,886	4,079,269	(12,232,982)	—
Deferred income taxes	—	388,089	345,091	(388,089)	345,091
Other long-term assets	—	142	277,689	(14,325)	263,506
Total assets	$ 2,755,297	$ 6,101,721	$ 11,949,008	$ (12,952,082)	$ 7,853,944
	LIABILITIES AND EQUITY				
Current liabilities:					
Current portion of debt	$ —	$ —	$ 561	$ —	$ 561
Trade accounts payable	132	14	392,697	—	392,843
Accrued liabilities	28,815	62,830	326,267	—	417,912
Income taxes payable	—	—	20,761	—	20,761
Total current liabilities	28,947	62,844	740,286	—	832,077
Long-term debt	—	3,600,209	—	(14,325)	3,585,884
Other long-term liabilities	—	29,331	245,154	—	274,485
Deferred income taxes	—	—	394,400	(388,089)	6,311
Intercompany payable	25,500	—	291,186	(316,686)	—
Total liabilities	54,447	3,692,384	1,671,026	(719,100)	4,698,757
Redeemable noncontrolling interest in subsidiary	—	—	404,861	—	404,861
Shareholders' equity	2,700,850	2,409,337	9,823,645	(12,232,982)	2,700,850
Noncontrolling interest	—	—	49,476	—	49,476
Total equity	2,700,850	2,409,337	9,873,121	(12,232,982)	2,750,326
Total liabilities and equity	$ 2,755,297	$ 6,101,721	$ 11,949,008	$ (12,952,082)	$ 7,853,944

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Condensed Consolidating Statements of Income (Loss)

	Three Months Ended March 31, 2019				
	Nabors (Parent/ Guarantor) (In thousands)	Nabors Delaware (Issuer/ Guarantor)	Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Total
Revenues and other income:					
Operating revenues	$ —	$ —	$ 799,640	$ —	$ 799,640
Earnings (losses) from unconsolidated affiliates	—	—	(5)	—	(5)
Earnings (losses) from consolidated affiliates	(115,046)	73,918	35,117	6,011	—
Investment income (loss)	—	—	10,205	(528)	9,677
Total revenues and other income	(115,046)	73,918	844,957	5,483	809,312
Costs and other deductions:					
Direct costs	—	—	520,957	—	520,957
General and administrative expenses	2,414	277	65,650	(174)	68,167
Research and engineering	—	—	13,520	—	13,520
Depreciation and amortization	—	31	210,360	—	210,391
Interest expense, net	—	52,750	(398)	—	52,352
Other, net	237	(2,667)	19,758	174	17,502
Intercompany interest expense, net	12	—	(12)	—	—
Total costs and other deductions	2,663	50,391	829,835	—	882,889
Income (loss) from continuing operations before income taxes	(117,709)	23,527	15,122	5,483	(73,577)
Income tax expense (benefit)	—	(11,590)	41,389	—	29,799
Income (loss) from continuing operations, net of tax	(117,709)	35,117	(26,267)	5,483	(103,376)
Income (loss) from discontinued operations, net of tax	—	—	(157)	—	(157)
Net income (loss)	(117,709)	35,117	(26,424)	5,483	(103,533)
Less: Net (income) loss attributable to noncontrolling interest	—	—	(14,176)	—	(14,176)
Net income (loss) attributable to Nabors	(117,709)	35,117	(40,600)	5,483	(117,709)
Less: Preferred stock dividend	(4,313)	—	—	—	(4,313)
Net income (loss) attributable to Nabors common	$ (122,022)	$ 35,117	$ (40,600)	$ 5,483	$ (122,022)

shareholders

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Condensed Consolidating Statements of Income (Loss)

	Three Months Ended March 31, 2018				
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Total
	(In thousands)				
Revenues and other income:					
Operating revenues	$ —	$ —	$ 734,194	$ —	$ 734,194
Earnings (losses) from unconsolidated affiliates	—	—	2	—	2
Earnings (losses) from consolidated affiliates	(141,825)	23,985	(26,525)	144,365	—
Investment income (loss)	2	—	3,444	(2,981)	465
Total revenues and other income	(141,823)	23,985	711,115	141,384	734,661
Costs and other deductions:					
Direct costs	—	—	475,403	—	475,403
General and administrative expenses	2,383	242	72,115	(169)	74,571
Research and engineering	—	—	15,806	—	15,806
Depreciation and amortization	—	30	213,418	—	213,448
Interest expense, net	—	65,325	(3,939)	—	61,386
Other, net	(5)	—	13,925	169	14,089
Total costs and other deductions	2,378	65,597	786,728	—	854,703
Income (loss) from continuing operations before income taxes	(144,201)	(41,612)	(75,613)	141,384	(120,042)
Income tax expense (benefit)	—	(15,087)	38,632	—	23,545
Income (loss) from continuing operations, net of tax	(144,201)	(26,525)	(114,245)	141,384	(143,587)
Income (loss) from discontinued operations, net of tax	—	—	(75)	—	(75)
Net income (loss)	(144,201)	(26,525)	(114,320)	141,384	(143,662)
Less: Net (income) loss attributable to noncontrolling interest	—	—	(539)	—	(539)
Net income (loss) attributable to Nabors	$ (144,201)	$ (26,525)	$ (114,859)	$ 141,384	$ (144,201)
Less: Preferred stock dividend	—	—	—	—	—
Net income (loss) attributable to Nabors common shareholders	$ (144,201)	$ (26,525)	$ (114,859)	$ 141,384	$ (144,201)

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Condensed Consolidating Statements of Comprehensive Income (Loss)

	Three Months Ended March 31, 2019				
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Total
	(In thousands)				
Net income (loss) attributable to Nabors	$ (117,709)	$ 35,117	$ (40,600)	$ 5,483	$ (117,709)
Other comprehensive income (loss) before tax					
Translation adjustment attributable to Nabors	9,190	(4)	9,190	(9,186)	9,190
Pension liability amortization and adjustment	54	54	108	(162)	54
Unrealized gains (losses) and amortization on cash flow hedges	140	140	140	(280)	140
Other comprehensive income (loss) before tax	9,384	190	9,438	(9,628)	9,384
Income tax expense (benefit) related to items of other comprehensive income (loss)	46	46	92	(138)	46
Other comprehensive income (loss), net of tax	9,338	144	9,346	(9,490)	9,338
Comprehensive income (loss) attributable to Nabors	(108,371)	35,261	(31,254)	(4,007)	(108,371)
Net income (loss) attributable to noncontrolling interest	—	—	14,176	—	14,176
Translation adjustment attributable to noncontrolling interest	—	—	52	—	52
Comprehensive income (loss) attributable to noncontrolling interest	—	—	14,228	—	14,228
Comprehensive income (loss)	$ (108,371)	$ 35,261	$ (17,026)	$ (4,007)	$ (94,143)

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Condensed Consolidating Statements of Comprehensive Income (Loss)

	Three Months Ended March 31, 2018				
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	Other Subsidiaries (Non- Guarantors)	Consolidating Adjustments	Total
	(In thousands)				
Net income (loss) attributable to Nabors	$ (144,201)	$ (26,525)	$ (114,859)	$ 141,384	$ (144,201)
Other comprehensive income (loss) before tax					
Translation adjustment attributable to Nabors	(9,343)	—	(9,343)	9,343	(9,343)
Pension liability amortization and adjustment	54	54	108	(162)	54
Adoption of ASU No. 2016-01	(9,144)	—	(9,144)	9,144	(9,144)
Unrealized gains (losses) and amortization on cash flow hedges	140	140	140	(280)	140
Other comprehensive income (loss) before tax	(18,293)	194	(18,239)	18,045	(18,293)
Income tax expense (benefit) related to items of other comprehensive income (loss)	43	43	86	(129)	43
Other comprehensive income (loss), net of tax	(18,336)	151	(18,325)	18,174	(18,336)
Comprehensive income (loss) attributable to Nabors	(162,537)	(26,374)	(133,184)	159,558	(162,537)
Net income (loss) attributable to noncontrolling interest	—	—	539	—	539
Translation adjustment attributable to noncontrolling interest	—	—	(96)	—	(96)
Comprehensive income (loss) attributable to noncontrolling interest	—	—	443	—	443
Comprehensive income (loss)	$ (162,537)	$ (26,374)	$ (132,741)	$ 159,558	$ (162,094)

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Condensed Consolidating Statements Cash Flows

	Three Months Ended March 31, 2019				
	Nabors (Parent/ Guarantor) (In thousands)	Nabors Delaware (Issuer/ Guarantor)	Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Total
Net cash provided by (used for) operating activities	$ 55,162	$ (88,799)	$ 161,959	$ (58,468)	$ 69,854
Cash flows from investing activities:					
Purchases of investments	—	—	(4,221)	—	(4,221)
Sales and maturities of investments	—	—	1,134	—	1,134
Cash paid for acquisitions of businesses, net of cash acquired	—	—	(2,929)	—	(2,929)
Cash paid for investments in consolidated affiliates	—	—	(4,000)	4,000	—
Capital expenditures	—	—	(141,070)	—	(141,070)
Proceeds from sales of assets and insurance claims	—	—	2,642	—	2,642
Change in intercompany balances	—	(1,627)	1,627	—	—
Net cash provided by (used for) investing activities	—	(1,627)	(146,817)	4,000	(144,444)
Cash flows from financing activities:					
Debt issuance costs	—	(35)	—	—	(35)
Proceeds from revolving credit facilities	—	180,000	—	—	180,000
Proceeds from parent contributions	—	4,000	—	(4,000)	—
Proceeds from issuance of common shares, net of issuance costs	6	—	(6)	—	—
Reduction of long-term debt	—	(43,540)	—	—	(43,540)
Reduction in revolving credit facilities	—	(50,000)	—	—	(50,000)
Dividends to common and preferred shareholders	(28,557)	—	(376)	3,168	(25,765)
Proceeds from (payments for) short-term borrowings	—	—	289	—	289
Proceeds from issuance of intercompany debt	25,000	—	(25,000)	—	—
Paydown of intercompany debt	(50,500)	—	50,500	—	—

Distribution from subsidiary to parent	—	—	(55,300)	55,300	—
Other changes	(1,251)	—	(242)	—	(1,493)
Net cash (used for) provided by financing activities	(55,302)	90,425	(30,135)	54,468	59,456
Effect of exchange rate changes on cash and cash equivalents	—	—	(2,791)	—	(2,791)
Net increase (decrease) in cash, cash equivalents and restricted cash	(140)	(1)	(17,784)	—	(17,925)
Cash, cash equivalents and restricted cash, beginning of period	474	42	450,564	—	451,080
Cash, cash equivalents and restricted cash, end of period	$ 334	$ 41	$ 432,780	$ —	$ 433,155

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Condensed Consolidating Statements Cash Flows

	Three Months Ended March 31, 2018				
	Nabors (Parent/ Guarantor) (In thousands)	Nabors Delaware (Issuer/ Guarantor)	Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Total
Net cash provided by (used for) operating activities	$ 22,374	$ (98,371)	$ 19,295	$ (24,981)	$ (81,683)
Cash flows from investing activities:					
Purchases of investments	—	—	(676)	—	(676)
Sales and maturities of investments	—	—	1,148	—	1,148
Capital expenditures	—	—	(94,026)	—	(94,026)
Proceeds from sale of assets and insurance claims	—	—	3,076	—	3,076
Change in intercompany balances	—	(122,864)	122,864	—	—
Net cash provided by (used for) investing activities	—	(122,864)	32,386	—	(90,478)
Cash flows from financing activities:					
Debt issuance costs	—	(12,928)	—	—	(12,928)
Reduction in long-term debt	—	(460,837)	—	—	(460,837)
Reduction in revolving credit facilities	—	(680,000)	—	—	(680,000)
Dividends to shareholders	(20,129)	—	—	2,981	(17,148)
Proceeds from (payments for) commercial paper, net	—	(40,000)	—	—	(40,000)
Proceeds from (payments for) issuance of intercompany debt	20,000	—	(20,000)	—	—
Proceeds from revolving credit facilities	—	615,000	—	—	615,000
Proceeds from issuance of long-term debt	—	800,000	—	—	800,000
Paydown of intercompany debt	(21,000)	—	21,000	—	—
Proceeds from (payments for) short-term borrowings	—	—	194	—	194
Distribution from subsidiary to parent	—	—	(22,000)	22,000	—
Other changes	(1,862)	—	(383)	—	(2,245)
Net cash (used for) provided by financing activities	(22,991)	221,235	(21,189)	24,981	202,036
	—	—	(867)	—	(867)

Effect of exchange rate changes on cash and cash equivalents					
Net increase (decrease) in cash, cash equivalents and restricted cash	(617)	—	29,625	—	29,008
Cash, cash equivalents and restricted cash, beginning of period	1,091	44	340,894	—	342,029
Cash, cash equivalents and restricted cash, end of period	$ 474	$ 44	$ 370,519	$ —	$ 371,037

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We often discuss expectations regarding our future markets, demand for our products and services, and our performance in our annual, quarterly and current reports, press releases, and other written and oral statements. Statements relating to matters that are not historical facts are "forward-looking statements" within the meaning of the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These "forward-looking statements" are based on an analysis of currently available competitive, financial and economic data and our operating plans. They are inherently uncertain and investors should recognize that events and actual results could turn out to be significantly different from our expectations. By way of illustration, when used in this document, words such as "anticipate," "believe," "expect," "plan," "intend," "estimate," "project," "will," "should," "could," "may," "predict" and similar expressions are intend identify forward-looking statements.

You should consider the following key factors when evaluating these forward-looking statements:

· fluctuations and volatility in worldwide prices of and demand for oil and natural gas;

· fluctuations in levels of oil and natural gas exploration and development activities;

· fluctuations in the demand for our services;

· competitive and technological changes and other developments in the oil and gas and oilfield services industries;

· our ability to renew customer contracts in order to maintain competitiveness;

· the existence of operating risks inherent in the oil and gas and oilfield services industries;

· the possibility of the loss of one or a number of our large customers;

· the impact of long-term indebtedness and other financial commitments on our financial and operating flexibility;

·

our access to and the cost of capital, including the impact of a downgrade in our credit rating, covenant restrictions, availability under our unsecured revolving credit facilities, and future issuances of debt or equity securities;

· our dependence on our operating subsidiaries and investments to meet our financial obligations;

· our ability to retain skilled employees;

· our ability to complete, and realize the expected benefits of strategic transactions;

· the recent changes in U.S. tax laws and the possibility of changes in other tax laws and other laws and regulations;

· the possibility of political or economic instability, civil disturbance, war or acts of terrorism in any of the countries in which we do business;

· the possibility of changes to U.S. trade policies and regulations including the imposition of trade embargoes or sanctions; and

· general economic conditions, including the capital and credit markets.

Our businesses depend, to a large degree, on the level of spending by oil and gas companies for exploration, development and production activities. Therefore, a sustained increase or decrease in the price of oil or natural gas, that has a material impact on exploration, development and production activities, could also materially affect our financial position, results of operations and cash flows.

The above description of risks and uncertainties is by no means all-inclusive, but highlights certain factors that we believe are important for your consideration. For a more detailed description of risk factors that may affect us or our industry, please refer to Part II, Item 1A. — Risk Factors of this report and Item 1A. — Risk Factors in our 2018 Annual Report.

Management Overview

This section is intended to help you understand our results of operations and our financial condition. This information is provided as a supplement to, and should be read in conjunction with, our condensed consolidated financial statements and the accompanying notes thereto.

We own and operate one of the world's largest land-based drilling rig fleets and provide offshore rigs in the United States and numerous international markets. Our business is comprised of our global land-based and offshore drilling rig operations and other rig related services and technologies, consisting of equipment manufacturing, rig instrumentation and optimization software. We also specialize in tubular services, wellbore placement solutions and are a leading provider of directional drilling and MWD systems and services.

Financial Results

Comparison of the three months ended March 31, 2019 and 2018

Operating revenues for the three months ended March 31, 2019 totaled $799.6 million, representing an increase of $65.4 million, or 9%, compared to the three months ended March 31, 2018. We experienced an increase in operating revenue across all of our operating segments, aside from International Drilling and Canada Drilling. Activity and pricing both increased in most of the segments, as a result of the improved market conditions with the most impactful increase in our U.S. Drilling and Rig Technologies operating segments, followed by Drilling Solutions. For a more detailed description of International Drilling and Canada Drilling operating results see Segment Results of Operations, below.

Net loss from continuing operations attributable to Nabors common shareholders totaled $121.9 million ($0.36 per diluted share) for the three months ended March 31, 2019 compared to a net loss from continuing operations attributable to Nabors common shareholders of $144.1 million ($0.46 per diluted share) for the three months ended March 31, 2018, or a $22.3 million decrease in the net loss. This improvement in the net loss was primarily attributable to a $26.8 million increase in our segments adjusted operating income compared to the prior period. The increase from our segments was partially offset by a $6.3 million increase in income tax expense.

General and administrative expenses for the three months ended March 31, 2019 totaled $68.2 million, representing a decrease of $6.4 million or 9%, compared to the three months ended March 31, 2018. This is reflective of a reduction in workforce and general cost-reduction efforts across our operating segments and our corporate offices.

Research and engineering expenses for the three months ended March 31, 2019 totaled $13.5 million, representing a decrease of $2.3 million, or 14%, compared to the three months ended March 31, 2018. The decrease is primarily attributable to a reduction in staffing levels and other cost control efforts across many of our research and engineering projects and initiatives.

Depreciation and amortization expense for the three months ended March 31, 2019 was $210.4 million, representing a decrease of $3.1 million, or 1%, compared to the three months ended March 31, 2018. The slight decrease was primarily due the impact from retirements and impairments of various rigs and equipment in late 2018, which more than offset the incremental depreciation during the period.

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Segment Results of Operations

The following tables set forth certain information with respect to our reportable segments and rig activity:

	Three Months Ended March 31,			
	2019	2018	Increase/(Decrease)	
	(In thousands, except rig data and percentages)			
U.S. Drilling				
Operating revenues	$ 320,209	$ 241,002	$ 79,207	33 %
Adjusted operating income (loss) (1)	$ 24,683	$ (19,746)	$ 44,429	225 %
Average rigs working (2)	120.9	111.8	9.1	8 %
Canada Drilling				
Operating revenues	$ 25,315	$ 31,887	$ (6,572)	(21) %
Adjusted operating income (loss) (1)	$ (59)	$ (592)	$ 533	90 %
Average rigs working (2)	16.3	21.1	(4.8)	(23) %
International Drilling				
Operating revenues	$ 337,256	$ 368,845	$ (31,589)	(9) %
Adjusted operating income (loss) (1)	$ (5,637)	$ 24,536	$ (30,173)	(123) %
Average rigs working (2)	89.7	94.6	(4.9)	(5) %
Drilling Solutions				
Operating revenues	$ 65,422	$ 62,648	$ 2,774	4 %
Adjusted operating income (loss) (1)	$ 12,855	$ 8,721	$ 4,134	47 %
Rig Technologies				
Operating revenues	$ 71,753	$ 64,669	$ 7,084	11 %
Adjusted operating income (loss) (1)	$ (5,148)	$ (12,976)	$ 7,828	60 %

(1) Adjusted operating income (loss) is our measure of segment profit and loss. See Note 10—Segment Information to the consolidated financial statements included in Item 1 of the report.

(2) Represents a measure of the average number of rigs operating during a given period. For example, one rig operating 45 days during a quarter represents approximately 0.5 average rigs working for the quarter. On an annual period, one rig operating 182.5 days represents approximately 0.5 average rigs working for the year.

U.S. Drilling

Operating results increased during the three months ended March 31, 2019 compared to the corresponding 2018 period primarily due to an increase in dayrates as market prices have continued to improve, resulting in approximately $33.4 million of the increase in adjusted operating income. Additionally, we experienced an increase in activity as reflected by an 8% increase in the average number of rigs working, which represented approximately $12.8 million of the increase in adjusted operating income.

Canada Drilling

Operating revenues decreased during the three months ended March 31, 2019 compared to the corresponding 2018 period primarily due to a 23% decrease in the average number of rigs working. Although the first quarter typically marks the peak season for our Canada drilling operations, this segment was adversely impacted by the industry-wide decline in rig count in Canada due to weak market conditions relative to the prior year period.

International Drilling

Operating results decreased during the three months ended March 31, 2019 compared to the corresponding 2018 period. Operating results for the period were unfavorably impacted by the expiration of higher margin contracts, decreased activity resulting from the sale of three working jackup rigs June of 2018 and dayrate reductions in certain regions, which were partially offset by new rig awards in lower margin regions. Additionally, operating results were impacted by the current instability and sanctions imposed in Venezuela and the temporary idling of our fleet there.

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Drilling Solutions

Operating results increased during the three months ended March 31, 2019 compared to the corresponding 2018 period. The increase in operating revenue was primarily due to increases in our performance tools offerings as activity in the U.S. has increased, and our tubular running services business which has expanded its activity in several international markets. The increase in operating income was also driven by the growth in our performance tools and tubular running services offerings as well as improved profitability from our wellbore placement offering due to effective cost reduction efforts across this business.

Rig Technologies

Operating results increased during the three months ended March 31, 2019 compared to the corresponding 2018 period primarily due to an increase in operating revenue from increased penetration into international markets as we continued the integration of Tesco and achieved further synergies throughout 2018, after the acquisition in the fourth quarter of 2018.

Other Financial Information

Interest expense

Interest expense for the three months ended March 31, 2019 was $52.4 million, representing a decrease of $9.0 million, or 15%, compared to the three months ended March 31, 2018. The decrease was primarily due to the repayment of approximately $303.5 million aggregate principal of our 9.25% senior notes due January 2019 prior to January 1, 2019, using the proceeds from the equity offering completed in May 2018.

Other, net

Other, net for the three months ended March 31, 2019 was $17.5 million of expense, which included net losses on sales and disposals of assets of approximately $3.6 million, an increase in litigation reserves of $7.1 million and foreign currency exchange losses of $8.6 million. Partially offsetting these losses was a gain on debt buybacks of $2.7 million.

Other, net for the three months ended March 31, 2018 was $14.1 million of expense, which included transaction related costs of $7.0 million, an increase in litigation reserves of $3.6 million, foreign currency exchange losses of $2.5 and net losses on sales and disposals of assets of approximately $2.2 million.

Income tax rate

Our worldwide effective tax rate for the three months ended March 31, 2019 was (40.5%) compared to (19.6%) for the three months ended March 31, 2018. The change in effective tax rate was a result of a change in our geographic mix of pre-tax earnings (losses), primarily due to pre-tax earnings in certain high tax jurisdictions causing a net income tax expense despite a consolidated pre-tax loss. This resulted in a negative tax rate for the three months ended March 31, 2019.

Liquidity and Capital Resources

Financial Condition and Sources of Liquidity

Our primary sources of liquidity are cash and investments, availability under our revolving credit facilities and cash generated from operations. As of March 31, 2019, we had cash and short-term investments of $469.7 million and working capital of $820.1 million. As of December 31, 2018, we had cash and short-term investments of $481.8 million and working capital of $761.5 million. At March 31, 2019, we had $300.0 million of borrowings outstanding under our revolving credit facilities.

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We had 15 letter-of-credit facilities with various banks as of March 31, 2019. Availability under these facilities as of March 31, 2019 was as follows:

	March 31, 2019 (In thousands)
Credit available	$ 677,571
Less: Letters of credit outstanding, inclusive of financial and performance guarantees	96,365
Remaining availability	$ 581,206

Our gross debt to capital ratio was 0.59:1 as of March 31, 2019 and 0.57:1 as of December 31, 2018. Our net debt to capital ratio was 0.55:1 as of March 31, 2019 and 0.53:1 as of December 31, 2018. The gross debt to capital ratio is calculated by dividing total debt by total capitalization (total debt plus shareholders' equity). The net debt to capital ratio is calculated by dividing net debt by net capitalization. Net debt is defined as total debt minus the sum of cash and cash equivalents and short-term investments. Net capitalization is defined as net debt plus shareholders' equity. Availability under both the 2012 Revolving Credit Facility and the 2018 Revolving Credit Facility is subject to a covenant not to exceed a net debt to capital ratio of 0.60:1. As of March 31, 2019, our net debt could be higher by approximately $630.0 million, while still maintaining our net debt to capital ratio of 0.60:1. Borrowing from the revolving credit facilities to pay down other debt, such as the 5.00% senior notes due September 2020, does not adversely impact the ratio calculation. Therefore, the entire balance under the revolving credit facilities could be drawn to pay down outstanding debt. The ratio is only materially impacted by borrowing under the revolving credit facility to use for purposes other than retiring debt, which would increase our net debt. We can limit or control our spending through reductions in discretionary capital or other types of controllable expenditures, monetization of assets, accessing capital markets through a variety of alternative methods, or any combination of these alternatives if needed. We cannot make any assurances as to our ability to implement any or all of these alternatives.

In addition, availability under the new 2018 Revolving Credit Facility is subject to a covenant that during any period in which Nabors Delaware fails to maintain an investment grade rating from at least two ratings agencies, the guarantors under the facility and their subsidiaries we will be required to maintain an asset to debt coverage ratio of at least 2.50:1. In light of our credit ratings as of March 31, 2019, we are required to comply with this covenant. As of March 31, 2019, our asset to debt coverage ratio was 3.74:1. The asset to debt coverage ratio is calculated by dividing (x) drilling-related fixed assets wholly owned by the 2018 Revolver Guarantors or wholly owned subsidiaries of the 2018 Revolver Guarantors by (y) total debt of the 2018 Revolver Guarantors (subject to certain exclusions).

As of the date of this report, we were in compliance with all covenants under the 2018 Revolving Credit Facility and 2012 Revolving Credit Facility. If we fail to perform our obligations under the covenants, the revolving credit commitments under the 2012 Revolving Credit Facility and the 2018 Revolving Credit Facility could be terminated, and any outstanding borrowings under the facilities could be declared immediately due and payable. If necessary, we have the ability to manage these ratios by taking certain actions including reductions in discretionary capital or other types of controllable expenditures, monetization of assets, amending or renegotiating the revolving credit agreement, accessing capital markets through a variety of alternative methods, or any combination of these alternatives. The gross debt to capital ratio, the net debt to capital ratio and the asset to debt coverage ratio are not measures of operating performance or liquidity defined by U.S. GAAP and may not be comparable to similarly titled measures presented by other companies.

Our interest coverage ratio was 3.6:1 as of March 31, 2019 and 3.3:1 as of December 31, 2018. The interest coverage ratio is a trailing 12-month quotient of the sum of operating revenues, direct costs, general administrative expenses and research and engineering expenses divided by interest expense. The interest coverage ratio is not a measure of operating performance or liquidity defined by U.S. GAAP and may not be comparable to similarly titled measures presented by other companies.

Our ability to access capital markets or to otherwise obtain sufficient financing may be affected by our senior unsecured debt ratings as provided by the major credit rating agencies in the United States and our historical ability to access these markets as needed. While there can be no assurances that we will be able to access these markets in the future, we believe that we will be able to access capital markets or otherwise obtain financing in order to satisfy any payment obligation that might arise upon maturity, exchange or purchase of our notes and our debt facilities, loss of availability of our revolving credit facility, and that any cash payment due, in addition to our other cash obligations, would not ultimately have a material adverse impact on our liquidity or financial position. The major U.S. credit rating

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agencies have downgraded our senior unsecured debt rating to non-investment grade. These and further ratings downgrades could adversely impact our ability to access debt markets in the future, increase the cost of future debt, and potentially require us to post letters of credit for certain obligations.

Future Cash Requirements

Our current cash and investments, projected cash flows from operations, proceeds from equity or debt issuances, and our revolving credit facility are expected to adequately finance our purchase commitments, capital expenditures, acquisitions, scheduled debt service requirements, and all other expected cash requirements for the next 12 months.

We expect capital expenditures over the next 12 months to be approximately $0.4 billion. Purchase commitments outstanding at March 31, 2019 totaled approximately $241.0 million, primarily for rig-related enhancements, new construction and equipment, as well as sustaining capital expenditures, other operating expenses and purchases of inventory. We can reduce planned expenditures if necessary or increase them if market conditions and new business opportunities warrant it. The level of our outstanding purchase commitments and our expected level of capital expenditures over the next 12 months represent a number of capital programs that are currently underway or planned.

We have historically completed a number of acquisitions and will continue to evaluate opportunities to acquire assets or businesses to enhance our operations. Several of our previous acquisitions were funded using existing cash or debt or by issuing our common shares, such as our acquisition of Tesco in December 2017. Future acquisitions may be funded using existing cash or by issuing debt or additional shares of the Company. Such capital expenditures and acquisitions will depend on our view of market conditions and other factors.

See our discussion of guarantees issued by Nabors that could have a potential impact on our financial position, results of operations or cash flows in future periods included below under “Off-Balance Sheet Arrangements (Including Guarantees)”.

There have been no material changes to the contractual cash obligations table that was included in our 2018 Annual Report.

On August 25, 2015, our Board of Directors authorized a share repurchase program (the “program”) under which we may repurchase, from time to time, up to $400.0 million of our common shares by various means, including in the open market or in privately negotiated transactions. Authorization for the program, which was renewed in February 2019, does not have an expiration date and does not obligate us to repurchase any of our common shares. Since establishing the program, we have repurchased 14.0 million of our common shares for an aggregate purchase price of approximately $119.4 million under this program. As of March 31, 2019, the remaining amount authorized under the program that may be used to purchase shares was $280.6 million. The repurchased shares, which are held by our subsidiaries, are registered and tradable subject to applicable securities law limitations and have the same voting and other rights as other outstanding shares. As of March 31, 2019, our subsidiaries held 52.8 million of our common shares.

We may from time to time seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for equity securities, both in open-market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors and may involve material amounts.

Cash Flows

Our cash flows depend, to a large degree, on the level of spending by oil and gas companies for exploration, development and production activities. Sustained decreases in the price of oil or natural gas could have a material impact on these activities, and could also materially affect our cash flows. Certain sources and uses of cash, such as the level of discretionary capital expenditures or acquisitions, purchases and sales of investments, dividends, loans, issuances and repurchases of debt and of our common shares are within our control and are adjusted as necessary based on market conditions. We discuss our cash flows for the three months ended March 31, 2019 and 2018 below.

Operating Activities. Net cash provided by operating activities totaled $69.9 million during the three months ended March 31, 2019, compared to net cash used of $81.7 million during the corresponding 2018 period. Operating cash flows are our primary source of capital and liquidity. The increase in cash flows from operations is primarily attributable to increases in activity and margins. Additionally, changes in working capital items such as collection of receivables, other deferred revenue arrangements and payments of operating payables and interest payments are significant factors affecting operating cash flows. Changes in working capital items used $54.6 million and $184.0 million in cash during the three months ended March 31, 2019 and 2018, respectively.

Investing Activities. Net cash used for investing activities totaled $144.4 million during the three months ended March 31, 2019 compared to $90.5 million during the corresponding 2018 period. Our primary use of cash for investing activities is for capital expenditures related to rig-related enhancements, new construction and equipment, as well as sustaining capital expenditures. During the three months ended March 31, 2019 and 2018, we used cash for capital expenditures totaling $141.1 million and $94.0 million, respectively.

Financing Activities. Net cash provided by financing activities totaled $59.5 million during the three months ended March 31, 2019 compared to net cash provided of $202.0 million during the corresponding 2018 period. During the three months ended March 31, 2019, we received net proceeds of $130.0 million in amounts borrowed under our revolving credit facilities, partially offset by a $43.5 million repayment on our senior notes. Additionally, we paid dividends totaling $25.8 million to our common and preferred shareholders.

Other Matters

Recent Accounting Pronouncements

See Note 2 — Summary of Significant Accounting Policies.

Off-Balance Sheet Arrangements (Including Guarantees)

We are a party to transactions, agreements or other contractual arrangements defined as “off-balance sheet arrangements” that could have a material future effect on our financial position, results of operations, liquidity and capital resources. The most significant of these off-balance sheet arrangements involve agreements and obligations under which we provide financial or performance assurance to third parties. Certain of these agreements serve as guarantees, including standby letters of credit issued on behalf of insurance carriers in conjunction with our workers’ compensation insurance program and other financial surety instruments such as bonds. In addition, we have provided indemnifications, which serve as guarantees, to some third parties. These guarantees include indemnification provided by us to our share transfer agent and our insurance carriers. We are not able to estimate the potential future maximum payments that might be due under our indemnification guarantees. Management believes the likelihood that we would be required to perform or otherwise incur any material losses associated with any of these guarantees is remote.

The following table summarizes the total maximum amount of financial guarantees issued by Nabors:

	Maximum Amount				
	2019	2020	2021	Thereafter	Total
	(In thousands)				
Financial standby letters of credit and other financial surety instruments	$ 213,018	1,168	—	—	$ 214,186

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We may be exposed to market risks arising from the use of financial instruments in the ordinary course of business as discussed in our 2018 Annual Report. There were no material changes in our exposure to market risk during the three months ended March 31, 2019 from those disclosed in our 2018 Annual Report.

ITEM 4. CONTROLS AND PROCEDURES

We maintain a set of disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d 15(e) under the Exchange Act) designed to provide reasonable assurance that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. We have investments in certain unconsolidated entities that we do not control or manage. Because we do not control or manage these entities, our disclosure controls and procedures

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with respect to these entities are necessarily more limited than those we maintain with respect to our consolidated subsidiaries.

The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Nabors and its subsidiaries are defendants or otherwise involved in a number of lawsuits in the ordinary course of business. We estimate the range of our liability related to pending litigation when we believe the amount and range of loss can be estimated. We record our best estimate of a loss when the loss is considered probable. When a liability is probable and there is a range of estimated loss with no best estimate in the range, we record the minimum estimated liability related to the lawsuits or claims. As additional information becomes available, we assess the potential liability related to our pending litigation and claims and revise our estimates. Due to uncertainties related to the resolution of lawsuits and claims, the ultimate outcome may differ from our estimates. For matters where an unfavorable outcome is reasonably possible and significant, we disclose the nature of the matter and a range of potential exposure, unless an estimate cannot be made at the time of disclosure. In the opinion of management and based on liability accruals provided, our ultimate exposure with respect to these pending lawsuits and claims is not expected to have a material adverse effect on our condensed consolidated financial position or cash flows, although they could have a material adverse effect on our results of operations for a particular reporting period. See Note 7 — Commitments and Contingencies — Litigation for a description of such proceedings.

ITEM 1A. RISK FACTORS

In addition to the information set forth elsewhere in this report, the risk factors set forth in Part 1, Item 1A, of our 2018 Annual Report, should be carefully considered when evaluating us. These risks are not the only risks we face. Additional risks not presently known to us or that we currently deem immaterial may also impair our business.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

We withheld the following shares of our common stock to satisfy tax withholding obligations in connection with grants of stock awards during the three months ended March 31, 2019 from the distributions described below. These shares may be deemed to be “issuer purchases” of shares that are required to be disclosed pursuant to this Item, but were not purchased as part of a publicly announced program to purchase common shares:

Period (In thousands, except per share amounts)	Total Number of Shares Repurchased	Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximated Dollar Value of Shares that May Yet Be Purchased Under the Program (2)
January 1 - January 31	65	$ 2.19	—	280,645
February 1 - February 28	213	$ 3.13	—	280,645
March 1 - March 31	130	$ 3.35	—	280,645

(1) Shares were withheld from employees and directors to satisfy certain tax withholding obligations due in connection with grants of shares under our 2013 Stock Plan and 2016 Stock Plan. Each of the 2016 Stock Plan, the 2013 Stock Plan, the 2003 Employee Stock Plan and the 1999 Stock Option Plan for Non-Employee Directors provide for the withholding of shares to satisfy tax obligations, but do not specify a maximum number of shares that can be

withheld for this purpose. These shares were not purchased as part of a publicly announced program to purchase common shares.

(2) In August 2015, our Board of Directors authorized a share repurchase program under which we may repurchase up to $400.0 million of our common shares in the open market or in privately negotiated transactions. The program was renewed by the Board in February 2019. Through March 31, 2019, we repurchased 14.0 million of our common shares for an aggregate purchase price of approximately $119.4 million under this program. As of March 31, 2019, we had $280.6 million that remained authorized under the program that may be used to repurchase shares. The repurchased shares, which are held by our subsidiaries, are registered and tradable subject to applicable securities law limitations and have the same voting, dividend and other rights as other outstanding shares. As of March 31, 2019, our subsidiaries held 52.8 million of our common shares.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Description
31.1	Rule 13a-14(a)/15d-14(a) Certification of Anthony G. Petrello, Chairman, President and Chief Executive Officer*
31.2	Rule 13a-14(a)/15d-14(a) Certification of William Restrepo, Chief Financial Officer*
32.1	Certifications required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350), executed by Anthony G. Petrello, Chairman, President and Chief Executive Officer and William Restrepo, Chief Financial Officer.*
101.INS	XBRL Instance Document*

101.SCH	XBRL Schema Document*
101.CAL	XBRL Calculation Linkbase Document*
101.LAB	XBRL Label Linkbase Document*
101.PRE	XBRL Presentation Linkbase Document*
101.DEF	XBRL Definition Linkbase Document*

*Filed herewith.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NABORS INDUSTRIES LTD.

By: /s/ ANTHONY G. PETRELLO
Anthony G. Petrello
Chairman, President and
Chief Executive Officer
(Principal Executive Officer)

By: /s/ WILLIAM RESTREPO
William Restrepo
Chief Financial Officer

(Principal Financial Officer and Accounting Officer)

Date: May 1, 2019