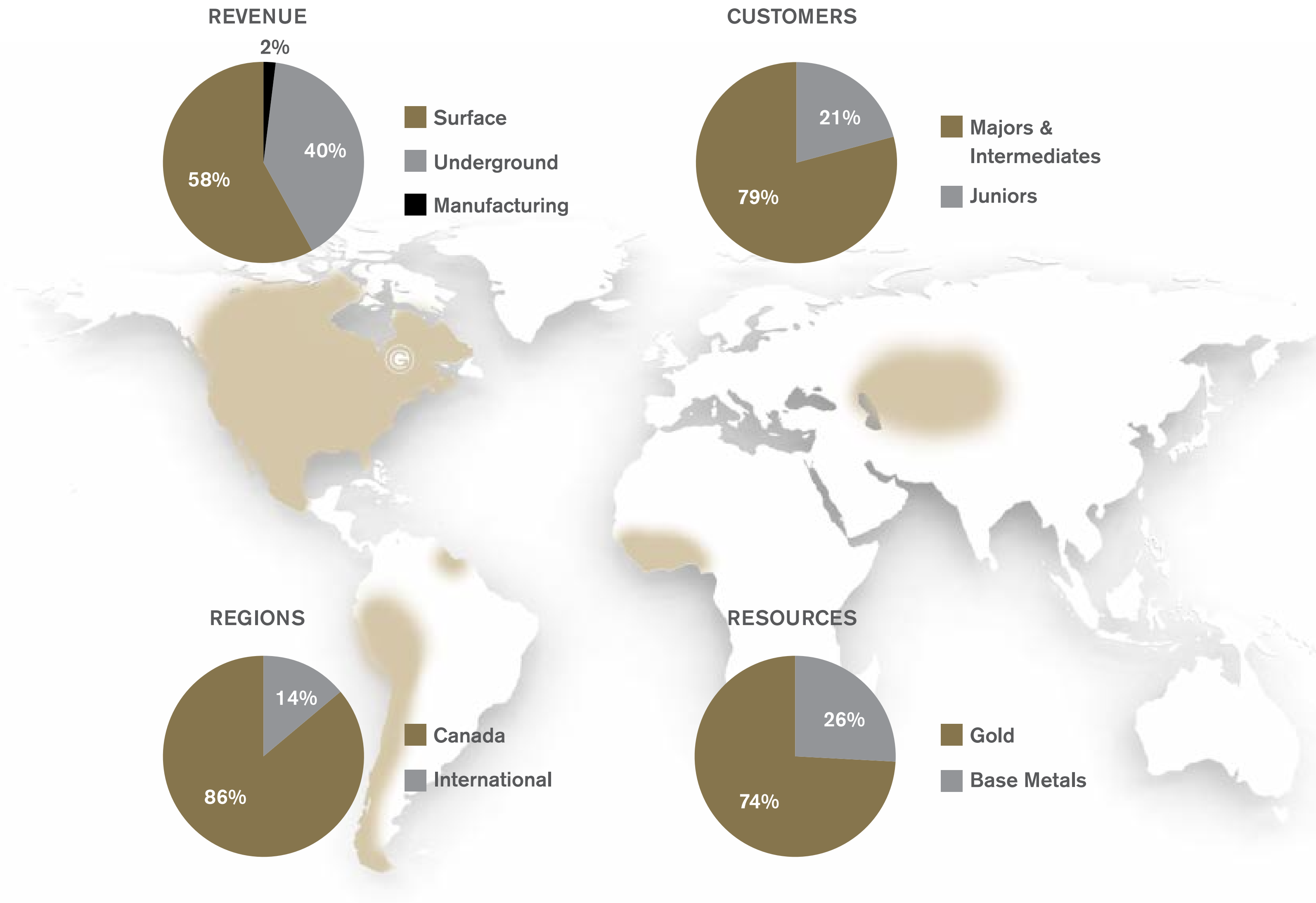
FORAGE ORBIT GARANT DRILLING

2016 ANNUAL REPORT

STRONG CANADIAN FOUNDATION | EXPANDING GLOBAL PRESENCE

PROFILE

Headquartered in Val-d'Or, Quebec, Orbit Garant is one of the largest Canadian-based mineral drilling companies, providing both underground and surface drilling services in Canada and internationally through its 226 drill rigs and more than 900 employees. Orbit Garant provides services to major, intermediate and junior mining companies, through each stage of mining exploration, development and production. The Company also provides geotechnical drilling services to mining or mineral exploration companies, engineering and environmental consultant firms, and government agencies.



Letter from the Chair and the President and CEO

We are pleased to report that Orbit Garant delivered a commendable performance in fiscal 2016, particularly in light of continued challenging market conditions. We have now posted eight consecutive quarters of year-over-year growth in domestic drilling revenue, and six consecutive quarters of year-over-year growth in international drilling revenue. This positive momentum reflects the continued stabilization and growth of our core business in Canada and our increased penetration in strategic international markets. The momentum is perhaps most visible in our share price, which has risen significantly from its lows in February 2016.

We drilled approximately 1.15 million metres in fiscal 2016, marking the first time we drilled more than one million metres since fiscal 2012, when global exploration activity was peaking. Other performance metrics also demonstrate that our business is moving in a positive direction, including revenue, gross profit and EBITDA.

Meanwhile, we continue to manage our costs very carefully. Our Adjusted General and Administrative expenses were $12 million in fiscal 2016, which amounted to 11.2% of revenue. By comparison, adjusted G&A expenses made up 13.4% of revenue in the prior fiscal year. We are also maintaining a healthy balance sheet. We ended fiscal 2016 with total debt of $9.3 million, including long-term debt of $8.4 million. That is a significant reduction from the $26.4 million of total debt we held at the end of fiscal 2012, which was paid down by internally generated funds and not by issuing equity.

Orbit Garant was more active on the international front in 2016 than in previous years. We significantly expanded our business activities in South America with the acquisition of Captagua, an established drilling company with over 50 years of operating experience. During the year we generated opportunities in Ghana and Kazakhstan, and we recently opened for business in Peru and resumed operations in Guyana. While Canada will remain the foundation of our business and will comprise the majority of our revenue going forward, our international business will become increasingly important. In the long-term, our plan is to generate 25% of our total revenue from international operations.

Through the Captagua acquisition, we added 17 surface drill rigs to our local fleet, and highly skilled personnel in the Chilean market. By combining our underground expertise and computerized drilling technology with Captagua's strengths in surface drilling, we have created a unique, comprehensive drilling services offering for Chile and other South American markets. That should enable us to seize more market share in these important mining jurisdictions.

Technical innovation will always remain a cornerstone to Orbit Garant's strategy and will govern the way we grow our business. Offering our clients the best in drilling technology will not only help us to win business, but will improve the quality and effectiveness of our work. We simply cannot stop thinking of ways to improve what we do. This is evidenced by the development of our new, state-of-the-art YU 1800 computerized drill rig. The YU 1800 can drill deeper holes with larger diameters than its predecessor, the 615 rig. The YU 1800 was introduced when the ink was just beginning to dry on the 615. We now have 28 computerized rigs in our fleet, all of which are currently operating and are in high demand from our customers. We believe that this constant focus on technical innovation will allow Orbit Garant to differentiate itself from the competition and help us to become the preferred choice for mineral drilling services.

Looking ahead, we are very encouraged by the positive signs in the mining industry. Base metal prices are off their lows and gold prices are up sharply since January. As a result, an increasing number of junior and intermediate mining companies are raising capital. There is a strong chance, in our opinion, that this added liquidity in the mining space will lead to greater exploration activity as companies seek to replenish their reserves after several years of under-investment. Orbit Garant is very well-positioned to benefit from this expected increase in activity.

We wish to extend our sincere thanks to Orbit Garant's shareholders as well as our valued employees. We are confident that we are entering into our next phase of growth with a strategy and enthusiasm that will allow us to become the preferred choice among mining companies for mineral drilling services.

Sincerely,

Paul Carmel
Chair

Eric Alexandre
President and Chief Executive Officer

MD&A and Consolidated Financial Statements

YEAR END AND FOURTH QUARTER FISCAL 2016

SEPTEMBER 15, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis ("MD&A") is a review of the results of operations, the liquidity and the capital resources of Orbit Garant Drilling Inc. This discussion contains forward-looking statements. Please see ''Forward-Looking Statements'' for a discussion of the risks, uncertainties and assumptions relating to these statements.

This MD&A should be read in conjunction with the audited consolidated financial statements for the fiscal year ended June 30, 2016 ("Fiscal 2016"); as compared with the previous year and also with the audited consolidated financial statements and MD&A contained in the Company's annual report for the fiscal year ended June 30, 2015 ("Fiscal 2015").

The Company's Fiscal 2016 audited consolidated financial statements and the accompanying notes were prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts in this MD&A are in Canadian dollars, except when otherwise noted.

In this MD&A, references to the "Company" or to "Orbit Garant" shall mean, as the context may require, either Orbit Garant Drilling Inc. or Orbit Garant Drilling Inc. together with its wholly owned subsidiaries.

This MD&A is dated September 15, 2016. Disclosure contained in this document is current to that date unless otherwise stated.

Percentage calculations are based on numbers in the Financial Statements and may not correspond to rounded figures presented in this MD&A.

Additional information relating to the Company, including the Company's Annual Information Form for the most recently completed fiscal year, can be found on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Securities laws encourage companies to disclose forward-looking information in order for investors to have a better understanding of a company's future prospects and make informed investment decisions.

This MD&A contains forward-looking statements about the Company's objectives, strategies, financial condition, results of operations, cash flows and businesses. These statements are "forward-looking" because they are based on current expectations, estimates and assumptions about: the markets in which the Company operates; the world economic climate as it relates to the mining industry; the Canadian economic environment; and the Company's ability to attract and retain customers and to manage its assets and operating costs.

Actual results could be materially different from expectations if known or unknown risks affect the business, or if estimates or assumptions turn out to be inaccurate. The Company does not guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place reliance on these forward-looking statements.

The Company disclaims any intention and assumes no obligation to update any forward-looking statement, even if new information becomes available, as a result of future events or for any other reasons except in accordance with applicable securities laws. Risks that could cause the Company's actual results to materially differ from its current expectations are discussed in this MD&A. For a more complete discussion of the risk factors that could cause the Company's actual results to materially differ from its current expectations, please refer to the Company's Annual Information Form dated September 15, 2016, accessible via www.sedar.com.

FISCAL 2016 SUMMARY

- Revenue increased to $107.5 million in Fiscal 2016, up 36.2% from $79.0 million in Fiscal 2015
- Gross margin was 9.5% compared to 4.1% in Fiscal 2015
- Adjusted gross margin (excluding depreciation expense) was 18.1%, up from 15.2% in Fiscal 2015
- A one-time gain of $5.0 million related to negative goodwill was recognized in the fourth quarter of Fiscal 2016 related to the acquisition of Chile-based Captagua Ingeniería S.A ("Captagua")
- EBITDA was $11.1 million, up from $1.8 million in Fiscal 2015
- Adjusted EBITDA, excluding negative goodwill and acquisition and integration costs, increased to $6.9 million from $1.8 million in Fiscal 2015
- Net loss reduced to $0.2 million compared to a net loss of $7.4 million in Fiscal 2015
- Adjusted net loss, excluding negative goodwill and acquisition and integration costs, was approximately $4.7 million, compared to a net loss of $7.4 million in Fiscal 2015
- Metres drilled in Fiscal 2016 increased to 1,152,102, up 29.0% from 892,875 metres drilled in Fiscal 2015

In Fiscal 2016, Orbit Garant's drilling volumes increased to 1.2 million metres, up 29.0% compared to Fiscal 2015, marking the first fiscal year since Fiscal 2012 that Orbit Garant has exceeded one million metres drilled. The Company has now achieved eight consecutive quarters of year-over-year growth in domestic drilling revenue and six consecutive quarters of year-over-year growth in international drilling revenue. The Company is encouraged by this positive business momentum, following three challenging years where many senior and intermediate mining companies scaled back their drilling programs, and junior mining companies significantly reduced their exploration activities due to a lack of capital. These factors resulted in an oversupply of drilling services capacity in the market and pricing pressure from customers. Orbit Garant's recent growth in domestic drilling revenue primarily reflects increasing customer demand and drilling volumes, as pricing pressure continues to persist in Canada. The Company's recent growth in international revenue has resulted from its strategy to expand its international market penetration. The Company continues to carefully control costs, monitor its workforce and manage its capital expenditures in accordance with market conditions.

CORPORATE OVERVIEW

From its head office in Val-d'Or, Québec, Orbit Garant, with more than 900 employees and a fleet of 226 drill rigs, provides surface and underground drilling services to the mining and exploration industry in Canada and internationally. The Company also provides geotechnical drilling services to mining or mineral exploration companies, engineering and environmental consultant firms and government agencies. The majority of Orbit Garant's business activity is currently conducted in Canada. The Company has worked on international projects in the United States, Mexico, Guyana, Chile, Kazakhstan and West Africa. In Fiscal 2015, Orbit Garant established new operating subsidiaries in Chile and Ghana. In Fiscal 2016 (May 2016), Orbit Garant established a new operating subsidiary in Peru and subsequent to year end, in August 2016, the Company established a new operating subsidiary in Guyana. This expansion is part of the Company's strategy to pursue more international business opportunities.

In the second quarter of Fiscal 2016, the Company expanded its business operations in Chile through the acquisition of all of the issued and outstanding shares of Santiago, Chile-based Captagua Ingeniería S.A. ("Captagua"), a company that specializes in surface drilling services to the Chilean mineral exploration and mining industry.

Orbit Garant has a comprehensive infrastructure that is vertically integrated with its subsidiary, Soudure Royale, which manufactures drill rigs for the Company and third parties. Soudure Royale provides the Company with a competitive advantage in the provision of drilling services and equipment. Orbit Garant focuses on "specialized drilling" which refers to those drilling projects that are in remote locations or, in the opinion of Management, because of the scope, complexity or technical nature of the work, cannot be undertaken by smaller conventional drilling companies.

The Company has two operating segments: Canada (including surface drilling, underground drilling and manufacturing Canada), and International.

For Fiscal 2016:

- Specialized drilling services, which typically generate a higher gross margin than conventional drilling services, accounted for approximately 50% of the Company's total revenue, compared to 40% in Fiscal 2015.
- Approximately 74% of the Company's revenues were generated by gold related operations, and approximately 26% were generated by base metal related and other operations.
- Surface and underground drilling services accounted for approximately 58% and 40%, respectively, of the Company's revenue. Orbit Garant's manufacturing activities accounted for the remaining 2% of revenue.
- Approximately 79% of Orbit Garant's revenue was generated from major and intermediate mining company projects, compared to 80% in Fiscal 2015. Orbit Garant's drilling contracts with major and intermediate customers are typically from one to five years in length.

BUSINESS ACQUISITION

On December 30, 2015, Orbit Garant acquired all of the issued and outstanding shares of Captagua, a Chilean-based mineral drilling services company that provides surface drilling (diamond and reverse circulation drilling) and water drilling services to the Chilean mineral exploration and mining industry. The purchase price of $1.7 million, was satisfied by the issuance of 1,824,900 common shares of Orbit Garant. The transaction also included the assumption of Captagua's total debt of approximately $5.5 million.

The acquisition of Captagua enhances Orbit Garant's platform for future growth in Chile, a major mining jurisdiction, and throughout South America. Captagua has an experienced management team, highly skilled personnel and a strong reputation in the Chilean market. Captagua operates as a wholly owned subsidiary of Orbit Garant. The results of operations of Captagua for the six-month period ended June 30, 2016, are included in Orbit Garant's results of operations. On August 16, 2016, the name of Captagua was changed to Orbit Garant Chile S.A.

BUSINESS STRATEGY

Orbit Garant's goal is to be the leading Canadian-based mineral drilling company. This will be achieved through the pursuit of both domestic and international market opportunities and through the provision of best-in-class underground and surface drilling services, equipment and personnel for all stages of the mining and minerals business, including exploration, development and production. The Company employs the following business strategies:

- Focus primarily on major and well-financed intermediate mining and exploration companies operating in stable jurisdictions;
- Provide conventional, specialized and geotechnical drilling services;
- Manufacture customized drills and equipment to fit the needs of customers;
- Maintain a commitment to Research and Development ("R&D") and advanced drilling technologies, such as the Company's current implementation of computerized monitoring and control technologies;
- Provide training for the Company's personnel to continuously improve labour efficiency and the availability of a skilled labour force;
- Maintain a high level of health and safety standards in the workplace and promote protection of the environment;
- Establish and maintain long-term relationships with customers;
- Cross-sell drilling services to existing customers;
- Expand the Company's base of operations in strategic regions, such as the Company's recent acquisition of Captagua, based in Santiago, Chile;
- Maintain a sound balance sheet and a judicious deployment of capital; and
- Evaluate strategic acquisition opportunities to enhance value for the Company's stakeholders.

INDUSTRY OVERVIEW

Orbit Garant provides drilling services, in Canada and internationally, to the minerals industry through all stages of mine development, from exploration through production. Client mining companies consist of major (or senior), intermediate, and junior companies (which generally focus on exploration only). Mining companies' budgets for external drilling services, such as those offered by Orbit Garant, are typically determined by ferrous (iron) and non-ferrous (precious and base) metals prices, and the availability of capital to finance exploration (particularly in the case of juniors) and development programs, and/or ongoing mining operations.

Gold

Gold prices are determined by the balance between supply (primarily mine production) and the many sources of demand including global investment demand, global demand for gold jewelry, and to a much lesser extent, demand from industrial applications. Following a prolonged rally in the price of gold that started in 2001 and resulted in a peak price for gold of more than US$1,900 per ounce in September 2011, the price of gold entered a period of overall decline starting in January 2013, when it was at approximately US$1,700 per ounce. The spot price of gold reached a trailing five-year price low of approximately US$1,049 per ounce in December 2015. Gold prices have since risen sharply in 2016. At the time of this report, the spot price of gold was approximately US$1,315 per ounce, an increase of 25.4% from its trailing five-year price low in December 2015.

Base Metals

Base metals' price performance generally reflects global economic conditions, as these metals are used primarily in infrastructure, industrial and manufacturing applications. Demand from emerging markets, particularly China and India, has a major influence on base metals markets. As emerging markets advance their economic development, their infrastructure and industrial bases expand. Further, residents typically become more affluent, driving increased demand for manufactured goods.

Aluminum, copper, lead, nickel and zinc are the primary base metals. At the time of this report, the respective spot prices for aluminum, lead, nickel and zinc were higher than 12 months ago. The spot price for copper, the metal widely considered to be the most sensitive to macroeconomic activity, was approximately US$2.33 per pound a year ago and at the time of this report was approximately US$2.15 per pound. While the price of copper is currently lower than 12 months ago, it has increased 9.7% from a low of US$1.96 in January 2016. Despite recent gains, current spot prices for each of the primary base metals are at the lower end of their trailing five-year price ranges.

Iron Ore

Iron ore prices are determined by the global demand for steel, as more than 95% of mined iron ore is used to make steel. As both the world's largest consumer and producer of steel, China is widely regarded as having the most influence on global iron ore market prices. Continuing urbanization of the world's population, particularly in China and India, the world's most populous countries, is fueling global steel consumption, and long-term demand is expected to continue to trend higher. In the short term, the spot price of iron ore is principally affected by seasonal effects, short term mismatches between supply and demand and other factors. Since the beginning of 2014, the price of iron ore has dropped significantly. At the time of this report, the spot price of iron ore was approximately US$60 per tonne, a decrease of approximately 55% compared to the average price of US$135 per tonne in 2013.

Market Participants

There have been a number of positive developments in the mining sector in 2016, following three highly challenging years. A greater number of mining companies, including junior exploration and intermediate companies, have been able to raise capital in 2016, positioning them to commit more money to exploration and development programs. According to the TMX Group, for the six months ended June 30, 2016, there were a total of 738 financings in the mining sector completed on the TSX and TSX-Venture, up from 553 transactions in the same period of 2015, an increase of 33%. However, many mining companies are maintaining cautious capital spending budgets. There is currently an oversupply of mineral drilling services capacity in the market, as many mining companies delayed or scaled back their drilling programs in the preceding three years due to weak market conditions. As metal prices stabilize and capital market conditions continue to improve, management expects to see a reduction in excess drilling services capacity.

OVERALL PERFORMANCE

Results of operations for the year ended June 30, 2016

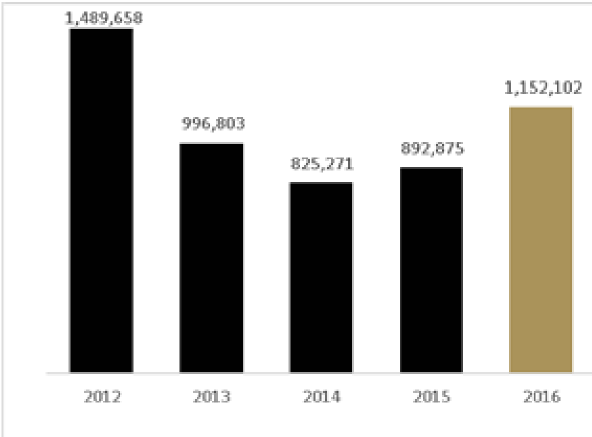
FISCAL YEAR ENDED JUNE 30 * ($millions)		Fiscal 2016	Fiscal 2015	2016 vs. 2015 Variation
Revenue *		**107.5**	79.0	**28.5**
Gross profit *		**10.2**	3.2	**7.0**
Gross margin (%)		**9.5**	4.1	**5.4**
Adjusted gross margin (%) (1)		**18.1**	15.2	**2.9**
Negative goodwill *		**5.0**	-	**5.0**
Net (loss) earnings *		**(0.2)**	(7.4)	**7.2**
Net (loss) earnings per common share	**- Basic ($)**	**(0.01)**	(0.22)	**0.21**
	- Diluted ($)	**(0.01)**	(0.22)	**0.21**
EBITDA * (2)		**11.1**	1.8	**9.3**
Metres drilled		**1,152,102**	892,875	**259,227**

(1) Reflects gross margin, excluding depreciation expenses. See "Reconciliation of non-IFRS financial measures"
(2) EBITDA = Earnings before interest, taxes, depreciation and amortization. See "Reconciliation of non-IFRS financial measures"

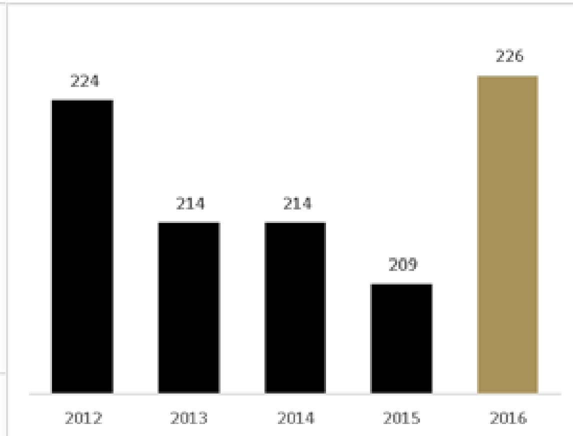
During Fiscal 2016, Orbit Garant drilled 1,152,102 metres, a 29.0% increase from 892,875 metres drilled in Fiscal 2015. The growth in metres drilled reflects an increase in demand from customers and the contribution of Captagua for the six months ended June 30, 2016. The Company's average revenue per metre drilled in Fiscal 2016 was $91.40, up 6.3% from $86.01 in Fiscal 2015. The increase in average revenue per metre drilled is attributable to an increase in international drilling activity, including a high proportion of specialized drilling activity in Chile and Kazakhstan.

The size of the Company's drill fleet was 226 drill rigs as at June 30, 2016, compared to 209 drill rigs at the end of Fiscal 2015. During Fiscal 2016, 17 drill rigs were added through the acquisition of Captagua and Soudure Royale manufactured four new computerized drill rigs, while three conventional drill rigs were dismantled and one was sold. The Company currently has 28 drill rigs outfitted with its computerized monitoring and control technology.

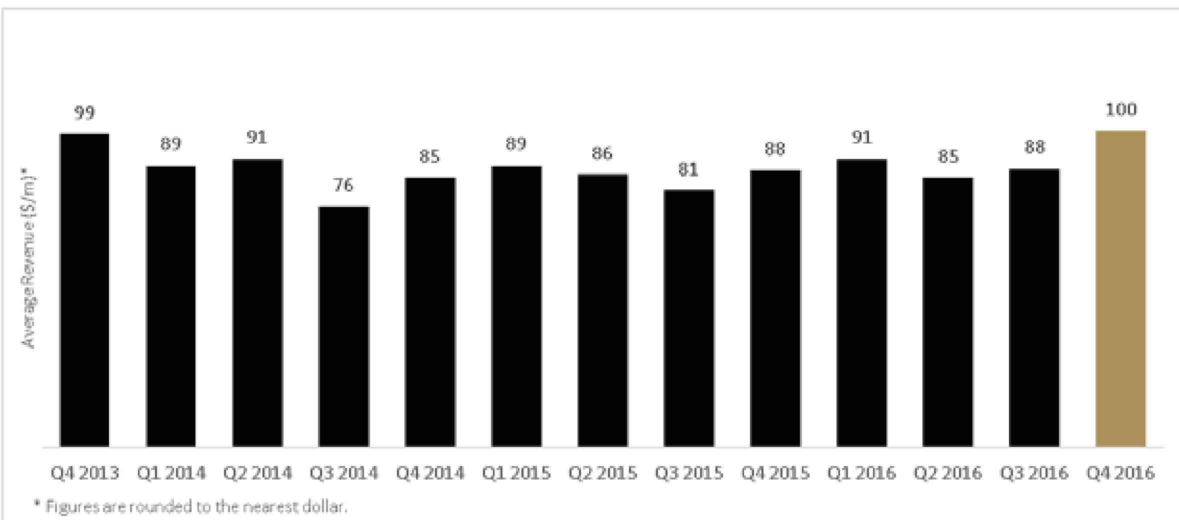
Metres Drilled



Number of Drills



Average Revenue per Metre Drilled



SELECTED ANNUAL FINANCIAL INFORMATION

For the year ended June 30 *($millions)	Fiscal 2016	Fiscal 2015	Fiscal 2014
Contract revenue			
Drilling Canada *	**92.4**	76.1	68.2
Drilling International *	**15.1**	2.9	3.3
Total *	**107.5**	79.0	71.5
Gross profit *	**10.2**	3.2	3.8
Gross margin (%)	**9.5**	4.1	5.2
Adjusted gross margin (%) (1)	**18.1**	15.2	18.5
Negative goodwill *	**5.0**	-	-
Net (loss) earnings *	**(0.2)**	(7.4)	(6.3)
Net (loss) earnings per common share ($)	**(0.01)**	(0.22)	(0.19)
Net (loss) earnings per common share diluted ($)	**(0.01)**	(0.22)	(0.19)
Total assets *	**105.2**	97.4	103.0
Long term debt including current portion *	**9.3**	7.4	8.5
EBITDA * (2)	**11.1**	1.8	3.4
EBITDA % (2)	**10.3**	2.2	4.8
Total metres drilled (million)	**1.2**	0.9	0.8

(1) Reflects gross margin, excluding depreciation expenses. See "Reconciliation of non-IFRS financial measures"
(2) EBITDA = Earnings before interest, taxes, depreciation and amortization. See "Reconciliation of non-IFRS financial measures".

RESULTS OF OPERATIONS

FISCAL 2016 COMPARED TO FISCAL 2015

Contract Revenue

For Fiscal 2016, the Company's revenue totalled $107.5 million, compared to $79.0 million in Fiscal 2015, representing an increase of $28.5 million, or 36.2%. Revenue growth was primarily attributable to an increase in domestic and international metres drilled, including increased specialized drilling activity which is typically charged at a higher rate.

Domestic contract drilling revenue increased to $92.4 million in Fiscal 2016, compared to $76.1 million in Fiscal 2015, an increase of $16.3 million, or 21.5%, reflecting increased demand.

International contract drilling revenue was $15.1 million in Fiscal 2016, compared to $2.9 million in Fiscal 2015, an increase of $12.2 million. International revenue growth was primarily attributable to an increase in specialized drilling activity due to the acquisition of Captagua in the second quarter of Fiscal 2016 ("Q2 FY2016") and the Company's drilling projects in Kazakhstan and Ghana.

Gross Profit and Margins (see Reconciliation of non-IFRS measures)

Gross profit for Fiscal 2016 was $10.2 million, compared to $3.2 million in Fiscal 2015. Gross margin for Fiscal 2016 was 9.5% compared to 4.1% in Fiscal 2015. In accordance with IFRS, depreciation expenses totalling $9.3 million are included in cost of contract revenue for Fiscal 2016, compared to $8.8 million for Fiscal 2015. Adjusted gross margin, excluding depreciation expenses, was 18.1% in Fiscal 2016, compared to 15.2% in Fiscal 2015. The increase in gross profit, gross margin and adjusted gross margin was primarily attributable to increased metres drilled in Canada and internationally, and increased international specialized drilling activity, which typically generates higher margins than conventional drilling activity.

General and Administrative Expenses

General and administrative (G&A) expenses were $14.3 million for Fiscal 2016, compared to $12.0 million in Fiscal 2015. G&A expenses represented 13.3% of revenue during Fiscal 2016, compared to 15.2% in Fiscal 2015. In Fiscal 2016, a total of $0.8 million of acquisition and integration costs related to the Captagua acquisition were incurred. In Fiscal 2015, the Company recorded a one-time gain of $0.2 million associated with the reversal of a portion of a contingent earn-out consideration related to the Company's acquisition of Lantech Drilling Services Inc. in December 2011.

In accordance with IFRS, depreciation and amortization expenses of $1.5 million are included in G&A expenses for Fiscal 2016, compared to $1.6 million for Fiscal 2015. Adjusted G&A expenses, excluding depreciation and amortization expenses, and acquisition and integration costs related to the Captagua acquisition, totalled $12.0 million (11.2% of revenue) for Fiscal 2016, compared to adjusted G&A expenses, excluding depreciation and amortization expenses and the reversal of a portion of contingent earn-out consideration, of $10.5 million (13.4% of revenue) for Fiscal 2015.

The Company continues to maintain discipline in managing its expenses in accordance with market conditions.

Operating Results

Loss from operations was $0.2 million for Fiscal 2016, compared to a loss from operations of $5.9 million in Fiscal 2015. The positive variance is primarily attributable to the increase in metres drilled in Canada and internationally, and an increase in higher margin, international specialized drilling activity.

Drilling Canada's operating earnings totalled $4.5 million, an increase of $4.8 million from an operating loss of $0.3 million in Fiscal 2015, primarily attributable to increased metres drilled.

Drilling International's operating loss totalled $4.7 million, compared to an operating loss of $5.6 million in Fiscal 2015. This positive variance is primarily attributable to increased metres drilled and increased specialized drilling activity, partially offset by additional costs related to starting new international drilling projects and investments in business development activities.

Negative Goodwill

The Company recognized a one-time $5.0 million gain in the fourth quarter of fiscal 2016, resulting from negative goodwill associated with the acquisition of Captagua in December 2015. The negative goodwill resulted from the excess of the fair value of the acquired assets over the aggregate of the liabilities assumed and consideration paid.

Foreign Exchange (Gain) Loss

Foreign exchange loss was $0.6 million in Fiscal 2016, compared to a gain of $0.1 million in Fiscal 2015. The unfavorable variance primarily relates to the current conversion rates of the Canadian dollar against the US dollar.

EBITDA (see Reconciliation of non-IFRS measures)

Earnings before interest, taxes, depreciation and amortization ("EBITDA") totalled $11.1 million in Fiscal 2016, compared to $1.8 million in Fiscal 2015, an increase of $9.3 million. EBITDA represented 10.3% of sales in Fiscal 2016, compared to 2.2% of sales in Fiscal 2015.

Excluding the one-time $5.0 million gain associated with negative goodwill, and acquisition and integration costs of $0.8 million, Fiscal 2016 adjusted EBITDA increased to $6.9 million, an increase of $5.1 million compared to EBITDA of $1.8 million in Fiscal 2015.

Financial Expenses

Interest costs related to long-term debt and bank charges for Fiscal 2016 were $0.7 million, compared to $0.6 million in Fiscal 2015.

Income Tax Recovery

Income tax recovery was $0.2 million in Fiscal 2016, compared to $1.9 million in Fiscal 2015.

Net Loss

Net loss in Fiscal 2016 totalled $0.2 million, or $0.01 per share, compared to $7.4 million, or $0.22 per share, in Fiscal 2015. The Company's net loss for Fiscal 2016 reflects a $5.0 million one-time gain related to negative goodwill and $0.8 million of acquisition and integration costs. Excluding these items, net loss for Fiscal 2016 would have been approximately $4.7 million, or $0.13 per share, a positive variance of $2.7 million, compared to a net loss of $7.4 million in Fiscal 2015. The decreased net loss is primarily attributable to the increase in metres drilled in Canada and internationally and higher gross margin, partially offset by higher G&A expenses as the Company incurred additional administrative costs in support of business development initiatives, a foreign exchange loss, and expenses related to the acquisition of Captagua.

SUMMARY ANALYSIS OF FISCAL 2015 COMPARED TO FISCAL 2014

Revenue for Fiscal 2015 was $79.0 million compared to $71.5 million for the fiscal year ended June 30, 2014 ("Fiscal 2014"), representing an increase of $7.5 million, or 10.4%.

Gross profit for Fiscal 2015 was $3.2 million, compared to $3.8 million in Fiscal 2014. Gross margin for Fiscal 2015 decreased to 4.1% from 5.2% in Fiscal 2014. Adjusted gross margin, excluding depreciation expenses, decreased to 15.2% in Fiscal 2015, compared to 18.5% in Fiscal 2014. The decrease in gross profit, gross margin and adjusted gross margin was primarily attributable to lower average revenue per metre drilled, decreased metres drilled and a decline in specialized drilling activity.

Net loss for Fiscal 2015 totalled $7.4 million ($0.22 per share), compared to $6.3 million ($0.19 per share) in Fiscal 2014.

OVERALL PERFORMANCE

SUMMARY OF QUARTERLY RESULTS

* ($millions)		Fiscal 2016				Fiscal 2015			
		June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30
Contract revenue *		**33.4**	28.1	21.7	24.3	**22.8**	18.7	16.8	20.7
Gross profit *		**4.3**	1.3	1.3	3.3	**1.6**	0.0	(0.4)	2.0
Gross margin %		**12.8**	4.7	5.7	13.7	**7.1**	0.2	(2.4)	9.5
Adjusted Gross Margin % (1)		**19.7**	14.9	15.5	22.2	**16.4**	11.8	10.9	20.6
Net earnings (loss) *		**4.4**	(2.6)	(1.8)	(0.2)	**(2.0)**	(2.0)	(2.8)	(0.6)
Net earnings (loss) per common share ($)	- Basic	**0.12**	(0.07)	(0.05)	(0.01)	**(0.06)**	(0.06)	(0.08)	(0.02)
	- Diluted	**0.12**	(0.07)	(0.05)	(0.01)	**(0.06)**	(0.06)	(0.08)	(0.02)

(1) Reflects gross margin, excluding depreciation expenses. See "Reconciliation of non-IFRS financial measures"

SEASONALITY

The Company's revenue reflects certain seasonal factors. In underground drilling operations, scheduled mine shutdowns over holiday and summer periods at some locations reduce revenue during these periods. In domestic and international surface drilling operations, weather conditions in the spring and fall seasons often cause drilling programs to pause, or to be planned around seasonal fluctuations.

ANALYSIS OF THE FOURTH QUARTER OF FISCAL 2016 COMPARED TO THE FOURTH QUARTER OF FISCAL 2015

Contract Revenue

Revenue for the three-month period ended June 30, 2016 ("Q4 FY2016") totalled $33.4 million, an increase of $10.6 million, or 46.8%, from $22.8 million for the quarter ended June 30, 2015 ("Q4 FY2015"). Revenue growth was primarily attributable to an increase in metres drilled in Canada and internationally, including increased specialized drilling activity which is typically charged at a higher rate.

Domestic contract drilling revenue was $27.1 million in Q4 FY2016, compared to $21.6 million in Q4 FY2015, representing an increase of $5.5 million, or 25.3%. The increase was primarily attributable to a higher number of metres drilled.

International contract drilling revenue was $6.3 million in Q4 FY2016, compared to $1.2 million in Q4 FY2015, representing an increase of $5.1 million. International revenue growth was primarily attributable to increased specialized drilling activity in Chile due to the acquisition of Captagua and to a lesser extent, new project revenues in Kazakhstan and Ghana.

Gross Profit and Margins (see Reconciliation of non-IFRS measures)

Gross profit for Q4 FY2016 increased to $4.3 million, compared to $1.6 million in Q4 FY2015. Gross margin for Q4 FY2016 increased to 12.8% from 7.1% in Q4 FY2015. In accordance with IFRS, depreciation expenses totalling $2.3 million are included in cost of contract revenue for Q4 FY2016, compared to $2.1 million in Q4 FY2015. Adjusted gross margin, excluding depreciation expenses, was 19.7% in Q4 FY2016, compared to 16.4% in Q4 FY2015. The increase in gross profit, gross margin and adjusted gross margin was primarily attributable to the increased metres drilled in Canada and internationally, and increased higher margin, international specialized drilling activity.

General and Administrative Expenses

General and administrative (G&A) expenses were $3.7 million (representing 11.1% of revenue) in Q4 FY2016, compared to $3.7 million (representing 16.0% of revenue) in Q4 FY2015.

In accordance with IFRS, depreciation and amortization expenses of $0.3 million are included in G&A expenses for Q4 FY2016, compared to $0.4 million in Q4 FY2015. Adjusted G&A expenses, excluding depreciation and amortization expenses, and $0.1 million in acquisition and integration costs related to Captagua, totalled $3.3 million (representing 9.7% of revenue) in Q4 FY2016. Adjusted G&A expenses, excluding amortization and depreciation expenses, totalled $3.2 million (representing 14.2% of revenue) in Q4 FY2015.

The Company continues to maintain discipline in managing its expenses in line with market conditions.

Operating Results

Earnings from operations for Q4 FY2016 was $1.4 million, compared to a loss from operations of $1.4 million in Q4 FY2015. This positive variation of $2.8 million was primarily attributable to the increase in metres drilled in Canada and internationally, and an increase in higher margin, international specialized drilling activity.

Drilling Canada's operating earnings totalled $2.2 million, an improvement of $1.7 million, from operating earnings of $0.5 million in Q4 FY2015. The increase of operating earnings was primarily attributable to the increase in metres drilled.

Drilling International's operating loss totalled $0.8 million, compared to an operating loss of $1.9 million in Q4 FY2015. The improvement was primarily attributable to increased specialized drilling activity in Chile and Kazakhstan.

Negative Goodwill

The Company recognized a one-time $5.0 million gain in Q4 FY2016, resulting from negative goodwill associated with the acquisition of Captagua in December 2015.

Foreign Exchange (Gain) Loss

Foreign exchange loss was $0.3 million in Q4 FY2016, compared to a loss of $0.2 million in Q4 FY2015. The unfavourable variance primarily relates to the strength of the Canadian dollar against the US dollar.

EBITDA (see Reconciliation of non-IFRS measures)

EBITDA was $7.9 million in Q4 FY2016, compared to $0.3 million in Q4 FY2015.

Adjusted EBITDA, excluding the $5.0 million gain related to negative goodwill and $0.1 million in acquisition and integration costs, was $3.0 million in Q4 FY2016, compared to $0.3 million in Q4 FY2015.

Financial Expenses

Interest costs related to long-term debt and bank charges were $0.3 million in Q4 FY2016, compared to $0.2 million in Q4 FY2015.

Income Tax (Recovery)

Income tax payable was $0.6 million for Q4 FY2016, compared to income tax recovery of $0.5 million in Q4 FY2015.

Net Earnings (Loss)

The Company's net earnings for Q4 FY2016 were $4.4 million, or $0.12 per share, compared to a net loss of $2.0 million, or $0.06 per share, in Q4 FY2015. The Company's net earnings for Q4 FY2016 include a $5.0 million one-time gain related to negative goodwill and $0.1 million of acquisition and integration costs. Excluding these items, net loss for Q4 FY2016 would have been approximately $0.5 million, or $0.02 per share, a positive variance of $1.5 million, compared to a net loss of $2.0 million in Q4 FY2015. The decreased net loss is primarily attributable to the increase in metres drilled in Canada and internationally and higher gross margins, partially offset by a foreign exchange loss, and expenses related to the acquisition of Captagua.

EFFECT OF EXCHANGE RATE

Aside from the US dollars and Chilean Pesos referenced below, all of the Company's revenue was denominated in Canadian dollars. The Company's main exposure to exchange rate fluctuations arose from certain purchases denominated in US dollars and Chilean Pesos, which were partially offset by revenue of approximately $2.4 million earned in US dollars and $ 6.8 million in Chilean Pesos, related primarily to international drilling activities. As at June 30, 2016, the Company had US $1.5 million in cash (June 30, 2015, $0.2 million) and accounts receivable of US $0.6 million (June 30, 2015, $0.3 million). The Company has cash in Chilean Pesos for an amount of 292,449,849 (June 30, 2015, 43,635,125) and accounts receivable in Chilean Pesos for an amount of 1,076,241,833 (June 30, 2015, 244,153,954).

As at June 30, 2016, the Company estimated that a 10% increase or decrease of the US dollars and Chilean Pesos exchange rates would have caused an annual increase or decrease of approximately $0.2 million in net earnings and comprehensive earnings (June 30, 2015, negligible).

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Cash flow from operations, before non-cash operating working capital items, was $5.8 million in Fiscal 2016, compared to $2.2 million in Fiscal 2015.

The change in non-cash operating working capital items was an inflow of $4.7 million in Fiscal 2016, compared to $1.7 million in Fiscal 2015. The change in non-cash operating working capital in Fiscal 2016 was primarily impacted by:

- $4.1 million related to a decrease in accounts receivable and prepaid expenses
- $0.4 million related to a decrease in inventory, and
- $0.2 million related to an increase in accounts payable.

Investing Activities

Cash used in investing activities totalled $6.2 million in Fiscal 2016, compared to $3.8 million in Fiscal 2015. During Fiscal 2016, $6.6 million was used for the acquisition of property, plant and equipment, partially offset by a cash inflow of $0.6 million on disposal of investments, property, plant and equipment. In Fiscal 2015, $4.0 million was used for the acquisition of property, plant and equipment and $0.1 million for the payment for short term investments, partially offset by cash inflow of $0.3 million on disposition of property, plant and equipment.

During Fiscal 2016, $0.3 million was used for the acquisition of Captagua.

Financing Activities

During Fiscal 2016, the Company repaid a net amount of $0.4 million on its $25.0 million revolving Credit Facility. In Fiscal 2015, the Company repaid a net amount of $1.0 million. As at June 30, 2016, the Company's long-term debt from its revolving credit facility was $7.4 million, the same as at June 30, 2015. The Company's debt was incurred to support the acquisition of capital assets, including property, plant and equipment and the business acquisition of Captagua.

Through the acquisition of Captagua, the Company assumed $2.2 million of financial leases from which $0.9 million was in current portion, maturing August 2018.

The Company's Chilean subsidiary enters into receivable purchase agreements (commonly referred to as "factoring agreements") with different banks as part of its normal working capital financing. The Company receives 100% of the value of the specific sales invoice less a charge of between 0.46% and 0.52%. As at June 30, 2016, trade receivables include $1,395 related to factored accounts ($nil as at June 30, 2015).

As at June 30, 2016, the Company's working capital was $42.9 million, compared to $43.5 million as at June 30, 2015. The Company's working capital requirements are primarily for funding inventory acquisition and financing accounts receivable.

The Company believes that it will be able to generate sufficient cash flow to meet its current and future working capital expenditures and debt obligations. The Company's principal capital expenditures are related to the acquisition of drill rigs and property, plant and equipment.

Source of Financing

Orbit Garant's primary sources of liquidity are from operations and borrowings under a credit agreement between the Company and National Bank of Canada Inc. (the "Credit Agreement"). On December 19, 2014, Orbit Garant obtained a new $25.0 million secured, three-year revolving credit facility (the "Credit Facility") with National Bank (the "Lender").

The Credit Facility is used to fund working capital requirements and provide further flexibility to the Company's long-term acquisition program. The Credit Facility matures no later than December 19, 2017. As at June 30, 2016, the Company had drawn $7.4 million ($7.4 million as at June 30, 2015).

Availability under the Credit Agreement is subject to a borrowing base that is determined by the value of the Company's inventory, accounts receivable and real estate. All of Orbit Garant's assets are pledged as security for the Company's obligations under the Credit Agreement.

The Credit Agreement contains covenants that limit the Company's ability to undertake certain actions, without prior approval of the Lender, including: i) mergers, liquidations, dissolutions and changes of ownership; ii) the incurrence of additional indebtedness; iii) encumbering the Company's assets; iv) guarantees, loans, investments and acquisitions that may be made by the Company; v) investing in or entering into derivative instruments, paying dividends and/or making other capital distributions to related parties; vi) capital expenditures exceeding mutually agreed upon limits; and vii) certain asset sales. The Credit Agreement also contains a number of financial covenants that the Company must comply with if more than $12.5 million is drawn from the Credit Facility.

As at June 30, 2016, the Company complied with all covenants in the Credit Agreement.

As at June 30, 2016, the Company had future contractual obligations as follows:

*($thousands)	Total	Less than 1 year	2-3 years	4-5 years
Long-term debt *	7,500	-	7,500	-
Operating leases *	1,933	889	1,044	-
Total *	9,433	889	8,544	-

OUTSTANDING SECURITIES AS AT SEPTEMBER 15, 2016

Number of common shares	35,101,419
Number of options	2,877,500
Fully diluted	37,978,919

On December 30, 2015, 1,824,900 shares were issued as partial consideration for the acquisition of Captagua. In Fiscal 2016, the Company issued 732,000 options at an exercise price of $0.70 and 81,000 options were cancelled.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company's audited consolidated financial statements have been prepared in accordance with *International Financial Reporting Standards ("IFRS")*, issued and effective, or issued and early adopted, for the year ended June 30, 2016. The IFRS accounting policies set our below were consistently applied to all periods presented. Please refer to Notes 3 and 4 in the Company's consolidated financial statements for the year ended June 30, 2016 for a complete description of the Company's significant accounting policies.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in Note 5 in the Company's consolidated financial statements for Fiscal 2016.

These audited consolidated financial statements have been prepared on a historical cost basis, except for the investments, which have been measured at fair value, and are presented in Canadian dollars, which is the currency of the primary economic environment in which the Company operates ("functional currency"). All values are rounded to the nearest thousand dollars, except where otherwise indicated.

These audited consolidated financial statements were approved for issue by the Board of Directors of Orbit Garant Drilling Inc. on September 15, 2016.

Principles of Consolidation

The Company's audited consolidated financial statements incorporate financial statements of the Company and entities controlled by the Company. A subsidiary is an entity controlled by the Company. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, independently of its percentage of participation. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when the Company controls another entity.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of loss from the effective date of acquisition to the effective date of disposal, as appropriate. Intercompany transactions and balances are eliminated on consolidation.

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated by the Company and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates, assumptions and judgments concerning the future. Actual results could differ from these estimates. The estimates, assumptions and judgments that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Business combinations

On initial recognition, the assets and liabilities of the acquired business are included in the consolidated statement of financial position of the Company at their fair values. In measuring fair value, Management uses estimates about future cash flows and discount rates, however, the actual results may vary.

Impairment of long-lived assets

An impairment loss is recognized when the carrying amount of an asset is not recoverable and exceeds its recoverable value. Management reviews on a regular basis the impairment assessment of certain long-lived assets to criteria defined in Note 5 in the Company's consolidated financial statements. As at June 30, 2016, the Company concluded that there was no impairment indicators and did not perform an impairment test (see Notes 10 and 11 in the Company's consolidated financial statements).

Income taxes

The Company is subject to income taxes in various jurisdictions. Judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due in the future. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It established provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

RECENT ACCOUNTING PRONOUNCEMENTS

The Company has not early adopted the following new standards that have been issued, but are not yet effective:

IFRS 9 – Financial Instruments

IFRS 9 simplifies the measurement and classification for financial assets by reducing the number of measurement categories and removing complex rule-driven embedded derivative guidance in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of non-derivative financial instruments and its related classification and measurement. IFRS 9 is effective from years beginning January 1, 2018, with early adoption permitted.

IFRS 15 – Revenue from Contracts with Customers
IFRS 15 specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 is effective from years beginning January 1, 2018, with early adoption permitted.

IAS 16 – Property, Plant and Equipment
IAS 16 prohibits entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 16 are effective from years beginning January 1, 2016, with early adoption permitted.

IAS 38 – Intangible Assets
IAS 38 introduces a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset, except in two limited circumstances. The amendments to IAS 38 are effective from years beginning January 1, 2016, with early adoption permitted.

IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures
The amendment entitled *"Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"* specifies the treatment to be adopted when an entity sells or contributes assets that constitute a business to a joint venture or an associate or loses control of a subsidiary that contains a business but it retains joint control or significant influence, the gain or loss resulting from that transaction is recognized in full. When an entity sells or contributes assets that do not constitute a business to a joint venture or associate or loses control of a subsidiary that does not contain a business but it retains joint control or significant influence in a transaction involving an associate or a joint venture, the gain or loss resulting from that transaction is recognized only to the extent of the unrelated investors' interest in the joint venture or associate, the entity's share of the gain or loss is eliminated. The amendments to IFRS 10 are effective from years beginning January 1, 2016, with early adoption permitted.

IAS 1 – Presentation of Financial Statements
The amendment entitled *«Disclosure Initiative»* comprises several narrow-scope amendments to improve presentation and disclosure requirements in existing standards. The amendments to IAS 1 are effective from years beginning January 1, 2016, with early adoption permitted.

IAS 7 – Statements of Cash Flows
The amendment entitled *"Disclosure initiative - Reconciliation of liabilities from financing activities"* comprises amendments to provide investors with improved disclosures about an entity's debt and movements in debt during the reporting period and its liquidity. The amendments to IAS 7 are effective from years beginning January 1, 2017 without need to provide comparative information when they first apply the amendments, with early adoption permitted.

IAS 12 – Income Taxes
The amendment entitled *"Recognition of Deferred Tax Assets for Unrealized Losses"* comprises amendments to give guidance that clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments to IAS 12 are effective from years beginning January 1, 2017, with early adoption permitted.

IFRS 16 – Leases
IFRS 16 specifies the new approach to lease accounting that requires a lessee to recognize assets and liabilities for the rights and obligations created by leases. IFRS 16 is effective from years beginning January 1, 2019, with early adoption permitted if IFRS 15, *Revenue from Contracts with Customers*, is applied.

The following amendments to the standards have been issued by the IASB and are applicable to the Company for its years beginning on July 1, 2016 and thereafter, with an earlier application permitted:

Annual improvements to IFRS (2012-2014 Cycle), which include among others:

Amendments to IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*, introduce guidance for when an entity reclassifies an asset (or disposal group) from held-for-sale to held-for-distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued.

Amendments to IFRS 7, *Financial Instruments: Disclosure*, provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets, and guidance as to whether the disclosure requirements on offsetting financial assets and financial liabilities should be included in consolidated financial statements.

The adoption of the above standards is not expected to have a significant impact on the Company's consolidated financial statements.

RECONCILIATION OF NON - IFRS FINANCIAL MEASURES

Financial data has been prepared in conformity with IFRS. However, certain measures used in this discussion and analysis do not have any standardized meaning under IFRS and could be calculated differently by other companies. The Company believes that certain non-IFRS financial measures, when presented in conjunction with comparable IFRS financial measures, are useful to investors and other readers because the information is an appropriate measure to evaluate the Company's operating performance. Internally, the Company uses this non-IFRS financial information as an indicator of business performance. These measures are provided for information purposes, in addition to, and not as a substitute for, measures of financial performance prepared in accordance with IFRS.

EBITDA: Earnings (loss) before interest, taxes, depreciation and amortization.

Adjusted gross margin: Contract revenue less operating costs. Operating expenses comprise material and service expenses, personnel expenses, other operating expenses, excluding depreciation.

EBITDA

Reconciliation of EBITDA

(unaudited) (in millions of dollars)	3 months ended June 30, 2016	3 months ended June 30, 2015	12 months ended June 30, 2016	12 months ended June 30, 2015
Net earnings (loss) for the period	**4.4**	(2.0)	**(0.2)**	(7.4)
Add:				
Finance costs	**0.3**	0.2	**0.7**	0.6
Income tax expense (recovery)	**0.6**	(0.5)	**(0.2)**	(1.9)
Depreciation and amortization	**2.6**	2.6	**10.8**	10.5
EBITDA	**7.9**	0.3	**11.1**	1.8
Remove:				
Acquisition and integration costs	**(0.1)**	-	**(0.8)**	-
Negative goodwill	**5.0**	-	**5.0**	-
Adjusted EBITDA	**3.0**	0.3	**6.9**	1.8

Adjusted Gross Margin

Although adjusted gross margin is not a recognized financial measure defined by IFRS, it is a widely recognized measure used in the mineral drilling industry. As a result, Management believes it provides a useful and comparable benchmark for evaluating the Company's performance.

(unaudited) (in millions of dollars)	3 months ended June 30, 2016	3 months ended June 30, 2015	12 months ended June 30, 2016	12 months ended June 30, 2015
Contract revenue	**33.4**	22.8	**107.5**	79.0
Cost of contract revenue (including depreciation)	**29.1**	21.2	**97.3**	75.8
Less depreciation	**(2.3)**	(2.1)	**(9.3)**	(8.8)
Direct costs	**26.8**	19.1	**88.0**	67.0
Adjusted gross profit	**6.6**	3.7	**19.5**	12.0
Adjusted gross margin (%) (1)	**19.7**	16.4	**18.1**	15.2

(1) Adjusted gross profit, divided by contract revenue X 100

RISK FACTORS

The following are certain factors relating to the Company's business and the industry within which it operates. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and should be read in conjunction with, the detailed information appearing elsewhere in this report and in the Company's Annual Information Form dated September 15, 2016. These risks and uncertainties are not the only ones relevant to the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems immaterial, may also impair the operations of the Company. If any such risks actually occur, the business, financial condition, liquidity and results of operations of the Company, could be affected materially and adversely.

Risk Related to Structure to the Business and Industry

Cyclical Downturns

Demand for drilling services and products depends significantly on the level of mineral exploration and development activities conducted by mining companies, which in turn, are driven significantly by commodity prices. There is a continued risk that low commodity prices could substantially reduce future exploration and drilling expenditures by mining companies, which in turn, could result in a decline in the demand for the drilling services offered by the Company and would materially impact the Company's revenue, financial condition, cash flows and growth prospects.

Sensitivity to General Economic Conditions

The operating and financial performance of Orbit Garant is influenced by a variety of international and country-specific general economic and business conditions (including inflation, interest rates and exchange rates), access to debt and capital markets, as well as, monetary and regulatory policies. Deterioration in domestic or international general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could have a material adverse effect on the financial performance and condition, cash flows and growth prospects of the Company.

Reliance on and Retention of Employees

In addition to the availability of capital for equipment, a key limiting factor in the growth of drilling services companies is the supply of qualified drillers, on whom the Company relies upon to operate its drills. As such, the ability to attract, train and retain high quality drillers is a high priority for all drilling services providers. A failure by the Company to retain qualified drillers or attract and train new qualified drillers could have a material adverse effect on the Company's financial performance, financial condition, cash flows and growth prospects. In addition, rising rates paid to drillers and helpers will exert pressure on the Company's profit margins if it is unable to pass on such higher costs to its customers through price increases.

Increased Cost of Sourcing Consumables

When bidding on an underground drilling contract, the cost of sourcing consumables is a key consideration in deciding upon the pricing. Underground drilling contracts are typically for one to two years and expose the Company to an increase in the cost of consumables and labor during that period. A material increase in the cost of labor or consumables during that period could result in materially higher costs and could materially reduce the Company's financial performance, financial condition, cash flows and growth prospects.

Leverage and Restrictive Covenants

Orbit Garant entered into the Credit Agreement in order to provide it with credit facilities to fund, among other things, working capital and acquisitions. The degree to which Orbit Garant is leveraged could have important consequences, including: i) Orbit Garant's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; ii) a significant portion of Orbit Garant's cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations; and iii) certain of Orbit Garant's borrowings (including borrowings under the Credit Agreement) will be at variable rates of interests, which exposes Orbit Garant to the risk of increased interest rates which may have an adverse effect on Orbit Garant's financial condition.

The Credit Agreement contains numerous restrictive covenants that limit the discretion of Orbit Garant's Management with respect to certain business matters. These covenants place significant restrictions on, among other things, changes in ownership and the ability of Orbit Garant to create liens or other encumbrances, to pay dividends or make certain other payments, investments, acquisitions, capital expenditures, loans and guarantees and to sell or otherwise dispose of assets and merge with another entity. In addition, the Credit Agreement contains financial covenants that require Orbit Garant to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in the Credit Agreement could result in a default that, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the Credit Agreement were to be accelerated, there can be no assurance that the assets of Orbit Garant would be sufficient to repay in full that indebtedness. In addition, the Credit Agreement will mature no later than December 17, 2019. There can be no assurance that future borrowings or equity financing will be available to Orbit Garant, or available on acceptable terms, in an amount sufficient to repay the Credit Agreement at maturity or to fund Orbit Garant's needs thereafter. This could have a material adverse effect on the business, financial condition and results of operations of Orbit Garant.

Access of Customers to Equity Markets

Economic factors may make it more difficult for mining companies, particularly junior mining companies, to raise money to fund exploration activity. This difficulty would have an adverse impact on the demand for drilling services and could have a material adverse effect on the financial performance, financial condition, cash flows and growth prospects of the Company.

Acquisitions

The Company is continuously seeking business acquisitions. It may be exposed to business risks or liabilities for which it may not be fully indemnified or insured. The ongoing integration of existing and new computer systems, equipment and personnel may impact the success of the acquisitions. Any issues arising from the integration of the acquired businesses, including the integration of the accounting software, may require significant management, financial or personnel resources that would otherwise be available for ongoing development and expansion of the Company's existing operations. If this happens, it may have a material adverse effect on the financial performance, financial condition, cash flows and growth prospects of the Company.

Supply of Consumables

If the Company should grow, it could put pressure on its ability to manufacture or otherwise obtain new drills and consumables required to conduct the Company's drilling operations. This could constrain the Company's ability to increase its capacity and increase or maintain revenue and profitability.

Competition

The Company faces considerable competition from several large drilling services companies and many smaller, regional competitors. Some of the Company's competitors have been in the drilling services industry for a longer period and have substantially greater financial and other resources than the Company has. Increased competition in the drilling services market may adversely affect the Company's current market share, profitability and growth opportunities. The capital cost to acquire drilling rigs is relatively low, enabling competitors to finance expansion and providing opportunity for new competitors to enter the market. This dynamic exposes the Company to the risk of reduced market share and scope for geographic growth, as well as lower revenue and margin for its existing business.

A significant portion of the drilling services business is a result of being awarded contracts through a competitive tender process. It is possible that the Company will lose potential new contracts to competitors if it is unable to demonstrate reliable performance, technical competence and competitive pricing as part of the tender process or if mining companies elect not to undertake a competitive tender process.

Inability to Sustain and Manage Growth

The Company's ability to grow will depend on a number of factors, many of which are beyond the Company's control, including, but not limited to, commodity prices, the ability of mining companies to raise financing and the demand for raw materials from large, emerging economies such as the Brazil, Russia, India and China ("BRIC") economies. In addition, the Company is subject to a variety of business risks generally associated with growing companies. Future growth and expansion could place significant strain on the Company's Management personnel and likely will require the Company to recruit additional management personnel.

There can be no assurance that the Company will be able to: i) manage its expanding operations (including any acquisitions) effectively; ii) sustain or accelerate its growth or that such growth, if achieved, will result in profitable operations; iii) attract and retain sufficient management personnel necessary for continued growth; or, iv) successfully make strategic investments or acquisitions. The failure to accomplish any of the foregoing could have a material adverse effect on the Company's financial performance, financial condition, cash flows and growth prospects.

Future Acquisition Strategy

The Company intends to grow through acquisitions in addition to organic growth. There is considerable competition within the drilling services industry for attractive acquisition targets. It is not possible to ensure that future acquisition opportunities will exist on acceptable terms, or that newly acquired or developed entities will be successfully integrated into the Company's operations. Additionally, the Company cannot give assurances that it will be able to secure the adequate financing on acceptable terms to pursue this strategy.

Customer Contracts

The Company's surface drilling customer contracts are typically for a term of six (6) to twelve (12) months and its underground drilling customer contracts are typically for a term of one to two years and can be cancelled by the customer on short notice in prescribed circumstances with limited or no amounts payable to the Company. There is a risk that existing contracts may not be renewed or replaced. The failure to renew or replace some or all of these existing contracts and cancellation of existing contracts could have a material adverse effect on the Company's financial performance, financial condition, cash flows and growth prospects. In addition, consolidation by the Company's customers could materially and adversely affect the Company's results of operations and financial condition.

International Expansion and Instability

Expansion internationally entails additional political and economic risk. Some of the countries and areas targeted by the Company for expansion are undergoing industrialization and urbanization and do not have the economic, political or social stability that many developed nations now possess. Other countries have experienced political or economic instability in the past and may be subject to risks beyond the Company's control, such as war or civil disturbances, political, social and economic instability, corruption, nationalization, terrorism, expropriation without fair compensation or cancellation of contract rights, significant changes in government policies, breakdown of the rule of law and regulations and new tariffs, taxes and other barriers. There is a risk that the Company's operations, assets, employees or repatriation of revenue could be impaired or adversely affected by factors related to the Company's international expansion and have a material adverse effect on the financial performance, financial condition, cash flow and growth prospects of the Company.

Operational Risks and Liability

Risks associated with drilling include, in the case of employees, personal injury and loss of life and, in the case of the Company, damage and destruction to property, equipment, release of hazardous substances to the environment and interruption or suspension of drill site operation due to unsafe drill operations. The occurrence of any of these events may have an adverse effect on the Company, including financial loss, key personnel loss, legal proceedings and damage to the Company's reputation.

In addition, poor or failed internal processes, people or systems, along with external events could negatively impact the Company's operational and financial performance. The risk of this loss, known as operational risk, is present in all aspects of the business of the Company, including, but not limited to, business disruptions, technology failures, theft and fraud, damage to assets, employee safety, regulatory compliance issues or business integration issues. The number and significance of the changes and the possibility that the Company may not be able to successfully implement the changes made, may adversely affect the performance of the business and its financial condition, cash flows and growth prospects of the Company.

Currency Exposure

Orbit Garant conducts some of its activities in US dollars and in Chilean Pesos and is thus exposed to foreign exchange fluctuations. As at June 30, 2016, we had US dollar and Chilean Pesos revenue exposures of approximately \$2.4 and \$6.8 million respectively. This exposure could change in the future and a significant portion of our revenue could potentially be denominated in currencies other than the Canadian dollar, fluctuations of which could cause a negative impact on our financial performance.

Business Interruptions

Business interruptions can occur as a result of a variety of factors, including; regulatory intervention, delays in necessary approvals and permits, health and safety issues or product input supply bottlenecks. In addition, the Company operates in a variety of geographic locations, some of which are prone to inclement weather conditions, natural or other disasters. The occurrence of such conditions or any business interruption could have a material adverse effect on the Company's financial performance, financial condition, cash flows and growth prospects.

Risk to the Company's Reputation

Risks to the Company's reputation could include any negative publicity, whether true or not, and could cause a decline in the Company's customer base and have a material adverse impact on the Company's financial performance, financial condition, cash flows and growth prospects. All risks have an impact on reputation, and as such, reputational risk cannot be managed in isolation from other types of risk. Every employee and representative of the Company is charged with upholding its strong reputation by complying with all applicable policies, legislation and regulations as well as creating positive experiences with the Company's customers, stakeholders and the public.

Environment, Health and Safety Requirements and Related Considerations

The Company's operations are subject to a broad range of federal, provincial, state and local laws and regulations as well as permits and other approvals, including those relating to the protection of the environment and workers' health and safety governing, among other things, air emissions, water discharges, non-hazardous and hazardous waste (including waste water), storage, handling, disposal and clean-up of dangerous goods and hazardous materials such as chemicals, remediation of releases and workers' health and safety in Canada and elsewhere (the ''Environment, Health and Safety Requirements''). As a result of the Company's operations, it may be involved from time to time in administrative and judicial proceedings and inquiries relating to Environment, Health and Safety Requirements. Future proceedings or inquiries could have a material adverse effect on the Company's business, financial condition and results of operations.

The activities at clients' worksites may involve operating hazards that can result in personal injury and loss of life. There can be no assurance that the Company's insurance will be sufficient or effective under all circumstances or against all claims or hazards to which it may be subject or that it will be able to continue to obtain adequate insurance protection. A successful claim or damage resulting from a hazard for which it is not fully insured could adversely affect the Company's results of operations. In addition, if the Company is seen not to adequately implement health and safety and environmental policies, its relationships with its customers may deteriorate, which may result in the loss of contracts and restrict its ability to obtain new contracts.

Insurance Limits

The Company maintains property, general liability and business interruption insurance. However, there can be no assurance that such insurance will continue to be offered on an economically feasible basis, that all events that could give rise to a loss or liability are insurable, or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of the Company.

Legislative and Regulatory Changes

Changes to any of the laws, rules, regulations or policies affecting the business of the Company would have an impact on the Company's business and may significantly and adversely affect the operations and financial performance of the Company.

Legal and Regulatory Risk

The mining and drilling industries are highly regulated by legal, environmental and health and safety regulations. Failure to comply with such regulations could lead to penalties, including fines or suspension of operations which could have a significant impact on the financial strength and future earnings potential of the Company. Furthermore, the Company's mineral exploration customers are also subject to similar legal, regulatory, health and safety regulations which could materially affect their decision to go ahead with mineral exploration or mine development and thereby indirectly negatively impact the Company.

Risk Related to Structure and Common Shares

Equity Market Risks

There is a risk associated with any investment in shares. The market price of securities such as the Common Shares of the Company are affected by numerous factors including, but not limited to, general market conditions, actual or anticipated fluctuations in the Company's results of operations, changes in estimates of future results of operations by the Company or securities analysts, risks identified in this section and other factors. In addition, the financial markets have experienced significant price and volume fluctuations that have sometimes been unrelated to the operating performance of the issuers or the industries in which they operate. Consequently, the trading price of the Common Shares may fluctuate.

Influence of Existing Shareholders

As of September 15, 2016, Pierre Alexandre, Vice Chairman and Vice President of Corporate Development of the Company, holds or controls, directly or indirectly, approximately 27% of Orbit Garant's outstanding Common Shares. As a result, this shareholder has the ability to influence Orbit Garant's strategic direction and policies, including any merger, consolidation or sale of all or substantially all of its assets, and the election and composition of Orbit Garant's Board of Directors. The foregoing ability to affect the control and direction of Orbit Garant could reduce its attractiveness as a target for potential takeover bids and business combinations, and correspondingly affect its share price.

Future Sales of Common Shares by the Company's Existing Shareholders

Certain shareholders, including Pierre Alexandre, hold or control significant blocks of shares of the Company. The decision of any of these shareholders to sell a substantial number of Common Shares in the public market could result in a material imbalance in demand for the Company's shares and therefore a decline in the market price of the Common Shares. In addition, the perception among the public that such sales may occur could also result in a reduction in the market price of the Common Shares.

Dilution

Orbit Garant may raise additional funds in the future by issuing equity securities. Holders of Common Shares will have no pre-emptive rights in connection with such further issuances. Additional Common Shares may be issued by Orbit Garant in connection with the exercise of options granted. Such additional equity issuances could, depending on the price at which such securities are issued, substantially dilute the interests of the holders of Common Shares.

Dividend Payments

Orbit Garant does not expect to pay dividends as it intends to use cash for future growth or debt repayment. In addition, the Credit Agreement places restrictions on the ability of Orbit Garant to declare or pay dividends.

Credit Risk

The Company provides credit to its customers in the normal course of its operations. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. It carries out, on a continuing basis, credit checks on its customers and maintains provisions for contingent credit losses. Demand for the Company's drilling services depends upon the level of mineral exploration and development activities conducted by mining companies, particularly with respect to gold, nickel and copper.

In order to reduce the credit risk, the Company is using insurance coverage from Export Development Canada («EDC») on certain accounts receivable from its customers. The insurance program provides under certain terms and conditions an insurance coverage amount of up to 90% of unpaid accounts. As at June 30, 2016, the amount of the insurance coverage from EDC represents 7% of the accounts receivable (nil% as at June 30, 2015).

As at June 30, 2016, 53% (42% as at June 30, 2015) of the trade accounts receivable are aged as current and 5% are impaired (5% as at June 30, 2015).

One major customer represents 10% of the trade accounts receivable as at June 30, 2016 (June 30, 2015, one major customer represents 25% of these accounts).

Two major customers represent 39% of the contract revenue for the year ended June 30, 2016 (year ended June 30, 2015, one major customer represents 21%).

Credit risk also arises from cash and cash equivalents with banks and financial institutions. This risk is limited because the counterparties are mainly Canadian banks with high credit ratings. The Company does not enter into derivatives to manage credit risk.

Interest Rate Risk

The Company is subject to interest rate risk since a significant part of the long-term debt bears interest at variable rates.

As at June 30, 2016, the Company has estimated that a one percentage point increase or decrease in interest rates would have caused a corresponding annual increase or decrease in net loss of $0.1 million ($0.1 million impact in 2015).

Equity Market Risk

Equity market risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors the general trends in the stock markets and individual equity movements, and determines the appropriate course of actions to be taken by the Company.

Fair Value

The fair value of cash, accounts receivable, accounts payable and accrued liabilities, and factoring liabilities is approximately equal to their carrying values due to their short-term maturity.

The fair value of long-term debt approximates its carrying value as it bears interest at a variable rate and has financing conditions similar to those currently available to the Company.

OUTLOOK

Following three years of difficult market conditions, there have been a number of positive developments in the mining sector in 2016. Metal prices have improved and the equity valuations of mining companies have moved materially higher. A greater number of mining companies, including junior exploration and intermediate companies, have been able to raise capital in 2016, positioning them to increase their exploration and development programs. According to the TMX Group, for the six months ended June 30, 2016, there have been a total of 738 financings in the mining sector completed on the TSX and TSX-Venture, up from 553 transactions in the same period of 2015, an increase of 33%.

There is currently an oversupply of drilling services capacity in the market, due to the difficult market conditions that persisted in the mining sector between 2013 and 2015. Additionally, many mining companies still have a cautious outlook and are maintaining conservative budgets for 2016. However, management is encouraged by the recent positive developments in the mining industry and believe that these could have a positive impact on operations in the months ahead as senior and intermediate mining companies look to replenish depleting reserves and junior exploration companies strive to identify or further delineate new mineral deposits. An additional positive factor for mining companies operating in Canada is the current lower value of the Canadian dollar relative to the US dollar, as their expenses are typically in Canadian dollars and their revenues are denominated in US dollars. At the time of this report, the value of the Canadian dollar was approximately 0.76 US dollars.

Management believes the long-term outlook for the mining industry is positive and is encouraged by the Company's recent increase in business activity in Canada and internationally. Global demand for ferrous and non-ferrous metals, combined with depleting reserves, will eventually lead to increasing exploration and development activities by mining companies. Management remains focused on maximizing stakeholder value principally by controlling costs, optimizing drill rig utilization, increasing productivity rates, continuing to focus on technology innovation, retaining key personnel, maintaining strong health and safety standards, and evaluating opportunities to expand Orbit Garant's market presence both in Canada and abroad.

Management believes the Company's proprietary computerized monitoring and control drilling technology will increasingly be an important contributor in reducing both labour and consumable drilling costs, enhancing driller productivity rates and improving safety. Orbit Garant currently has 28 drill rigs featuring its computerized monitoring and control technology, all of which are currently deployed on customer projects. To date, these next generation drill rigs have achieved a significant increase in productivity compared to that achieved using conventional drill rigs. Orbit Garant's customers have responded positively to the improved performance and potential of the new drill rigs, which has led to renewals of underground drilling contracts for longer terms.

Orbit Garant's growth strategy is currently focused on capturing increased market share in Canada and expanding its international market presence. Orbit Garant's eight consecutive quarters of year-over-year growth in domestic drilling revenue reflects the Company's recent success in securing new contracts and extending existing contracts in Canada. In terms of international market penetration, Orbit Garant established new operating subsidiaries in Chile, Ghana, and a new branch office in Kazakhstan during fiscal 2015. In Fiscal 2016 (May 2016), Orbit Garant established a new operating subsidiary in Peru and subsequent to year end, in August 2016, the Company established a new operating subsidiary in Guyana. The Company's acquisition of Captagua in Chile, has significantly enhanced the Company's platform for growth in Chile and throughout South America. Orbit Garant is currently working on projects in Chile and is actively pursuing new opportunities to grow its South American business. The Company commenced a drilling contract in Ghana during Q3 FY2016, and also commenced work on its first drilling contract in Kazakhstan.

Orbit Garant will continue to monitor market conditions closely and manage its staff and inventory levels, capital expenditures and balance sheet accordingly. With its sound balance sheet, the Company remains committed to pursuing value enhancing growth opportunities in Canada and internationally.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Effective December 30, 2015, the Company completed the acquisition of Captagua. The results of Captagua's operations have been included in these financial statements since the date of acquisition. However, the Company has not completed the review of the internal controls used by Captagua. The Company is in the process of integrating the Captagua's operations and will be expanding its disclosure controls and procedures and internal controls over its financial reporting compliance program to include Captagua within twelve months from the acquisition date. As a result, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have limited the scope of design of disclosure controls and procedures and testing of internal controls over financial reporting to exclude Captagua controls, policies and procedures from the June 30, 2016 certification of internal controls. The acquisition date financial information for Captagua is included in the discussion regarding the acquisition contained in the MD&A and Note 2 of the consolidated financial statements.

The CEO and the CFO of the Company are responsible for establishing and maintaining disclosure controls and procedures (DC&P) for the Company as defined under Multilateral Instrument 52-109 issued by the Canadian

Securities Administrators. The CEO and the CFO have designed such DC&P, or caused them to be designed under its supervision, to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure.

As at June 30, 2016, the CEO and CFO evaluated the design and operation of the Company's DC&P. Based on that evaluation, the CEO and CFO concluded that the Company's DC&P was effective as at June 30, 2015.

The CEO and the CFO are responsible for designing internal controls over financial reporting ("ICFR") or causing them to be designed under their supervision. The Company's ICFR are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its preparation of financial statements for external purposes in accordance with IFRS.

As discussed above, the inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company, have been detected. Therefore, no matter how well designed, ICFR have inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

During Fiscal 2016, Management, including its CEO and CFO, evaluated the existence and design of the Company's ICFR and confirm there were no changes to the ICFR that have occurred during the year which materially affected, or are reasonably likely to materially affect, the Company's ICFR. The Company continues to review and document its disclosure controls and its ICFR, and may, from time to time make changes aimed at enhancing their effectiveness and to ensure that its systems evolve with the business. As of June 30, 2016, an evaluation was carried out, under the supervision of the CEO and CFO, of the effectiveness of the Company's ICFR as defined in NI 52-109. Based on this evaluation, other than restrictions mentioned above, the CEO and the CFO concluded that the design and operation of these ICFR were effective.

The evaluations were conducted in accordance with the framework and criteria established in Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), a recognized control model, and the requirements of NI 52-109.

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying audited consolidated financial statements («financial statements») of Orbit Garant Drilling Inc. (the «Company») and all the information in this annual report are the responsibility of the management of the Company and are approved by the Board of Directors.

The financial statements have been prepared by management in accordance with International Financial Reporting Standards and, where appropriate, include management's best estimates and judgments. Management has reviewed the financial information presented throughout this report and has ensured that it is consistent with the financial statements.

Management are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting to provide reasonable assurance that transactions are authorized, assets are safeguarded and the integrity and fairness of the financial information is ensured as at June 30, 2016. Based on this evaluation, Management has concluded that the Company's internal control over financial reporting as at June 30,2016, was effective to provide reasonable assurance regarding the reliability of the Company’s financial reporting and the preparation of its financial statements for external purposes in accordance with applicable accounting principles.

The Board of Directors of the Company is responsible for ensuring that Management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Directors carries out this responsibility principally through the Audit Committee. The Board of Directors appoints the Audit Committee, and all of its members are independent directors. The Audit Committee meets periodically with management and independent auditors to review internal controls, audit results and accounting principles. Acting on the recommendation of the Audit Committee, the financial statements are forwarded to the Board of Directors of the Company for its approval.

The financial statements have been audited, on behalf of the shareholders, by Deloitte LLP, the independent auditor, in accordance with Canadian generally accepted auditing standards. The independent auditor has full and free access to the Audit Committee and may meet with or without the presence of management.

(signed) Éric Alexandre
Éric Alexandre, CPA, CMA
President and Chief Executive Officer

(signed) Alain Laplante
Alain Laplante, FCPA, FCGA
Vice-President and Chief Financial Officer

Val-d’Or, Quebec
September 15, 2016

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Independent Auditor's Report

To the Shareholders of
Orbit Garant Drilling Inc.

We have audited the accompanying consolidated financial statements of Orbit Garant Drilling Inc., which comprise the consolidated statements of financial position as at June 30, 2016 and June 30, 2015, and the consolidated statements of loss, consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Orbit Garant Drilling Inc. as at June 30, 2016 and June 30, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(*signed*) Deloitte LLP[1]

September 15, 2016

[1] CPA auditor, CA, public accountancy permit No. A116207

ORBIT GARANT DRILLING INC.
Consolidated statements of loss
For the years ended June 30, 2016 and 2015
(in thousands of Canadian dollars, except for data per share)

	Notes	June 30 2016	June 30 2015
		$	$
Contract revenue	21	107,512	78,964
Cost of contract revenue	7	97,312	75,749
Gross profit		10,200	3,215
Expenses			
General and administrative expenses	2 - 7	14,268	12,031
Foreign exchange (gain) loss	7	649	(116)
Finance costs	7	732	591
Negative goodwill	2	(5,020)	-
		10,629	12,506
Loss before income taxes		(429)	(9,291)
Income taxes recovery	15		
Current		(93)	(1,020)
Deferred		(123)	(884)
		(216)	(1,904)
Net loss attributable to shareholders		(213)	(7,387)
Net loss per share attributable to shareholders	14		
Basic		(0.01)	(0.22)
Diluted		(0.01)	(0.22)

See accompanying notes to consolidated financial statements.

ORBIT GARANT DRILLING INC.
Consolidated statements of comprehensive loss
For the years ended June 30, 2016 and 2015
(in thousands of Canadian dollars)

	Notes	June 30 2016	June 30 2015
		$	$
Net loss		(213)	(7,387)
Other comprehensive income			
Items that will be reclassified subsequently to net loss :			
Unrealized gain on available-for-sale investments, net of income tax of $45	9	291	-
Cumulative translation adjustments		(96)	-
Other comprehensive income		195	-
Comprehensive loss attributable to shareholders		(18)	(7,387)

See accompanying notes to consolidated financial statements.

ORBIT GARANT DRILLING INC.

Consolidated statements of changes in equity

For the years ended June 30, 2016 and 2015

(in thousands of Canadian dollars)

Year ended June 30, 2016		Share capital	Equity settled reserve	Retained Earnings	Accumulated other comprehensive income	Total Shareholders' Equity
		$	$	$	$	$
		(Note 14)	(Note 14)			
Balance as of July 1, 2015		54,411	1,458	21,750	-	77,619
Issuance of shares related to business acquisition	(Note 2)	1,277	-	-	-	1,277
Net loss		-	-	(213)	-	(213)
Unrealized gain on available-for-sale investments, net of income tax of $45		-	-	-	291	291
Cumulative translation adjustments		-	-	-	(96)	(96)
Share-based compensation		-	193	-	-	193
Stock option cancelled		-	(183)	183	-	-
Balance as of June 30, 2016		55,688	1,468	21,720	195	79,071

Year ended June 30, 2015	Share capital	Equity settled reserve	Retained Earnings	Accumulated other comprehensive income	Total Shareholders' Equity
	$	$	$	$	$
	(Note 14)	(Note 14)			
Balance as of July 1, 2014	54,411	5,133	25,025	-	84,569
Net loss and comprehensive loss	-	-	(7,387)	-	(7,387)
Share-based compensation	-	437	-	-	437
Stock option cancelled	-	(4,112)	4,112	-	-
Balance as of June 30, 2015	54,411	1,458	21,750	-	77,619

See accompanying notes to consolidated financial statements.

ORBIT GARANT DRILLING INC.
Consolidated statements of financial position
As of June 30, 2016 and June 30, 2015
(in thousands of Canadian dollars)

	Notes	June 30 2016	June 30 2015
		$	$
ASSETS			
Current assets			
Cash		2,293	396
Accounts receivable	20	21,339	18,890
Inventories	8	35,289	33,878
Income taxes receivable		1,058	1,244
Prepaid expenses		568	1,412
		60,547	55,820
Non-current assets			
Investments	9	709	424
Property, plant and equipment	10	42,978	39,705
Intangible assets	11	-	583
Deferred tax assets	15	930	833
Total assets		105,164	97,365
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		15,362	12,298
Factoring liabilities		1,395	-
Current portion of finance leases	12	889	-
		17,646	12,298
Non-current liabilities			
Long-term debt and finance leases	12	8,447	7,448
		26,093	19,746
EQUITY			
Share capital	14	55,688	54,411
Equity settled reserve	14	1,468	1,458
Retained earnings		21,720	21,750
Accumulated other comprehensive (loss) income		195	-
Equity attributable to shareholders		79,071	77,619
Total liabilities and equity		105,164	97,365

APPROVED BY THE BOARD

(signed) Éric Alexandre
Éric Alexandre, Director

(signed) Jean-Yves Laliberté
Jean-Yves Laliberté, Director

See accompanying notes to consolidated financial statements.

ORBIT GARANT DRILLING INC.
Consolidated statements of cash flows
For the years ended June 30, 2016 and 2015
(in thousands of Canadian dollars)

	Notes	June 30 2016	June 30 2015
		$	$
OPERATING ACTIVITIES			
Loss before income taxes		(429)	(9,291)
Items not affecting cash:			
Depreciation of property, plant and equipment	10	10,217	9,869
Amortization of intangible assets	11	583	583
Write-off of property, plant and equipment	10	-	217
Loss (gain) on disposal of property, plant and equipment	10	(329)	12
Gain on disposal of investments	9	(80)	(31)
Share-based compensation	14	193	437
Finance costs, excluding change in fair value of contingent considerations		732	587
Negative goodwill	2	(5,020)	-
Reversal of contingent considerations	2 - 20	-	(150)
Change in fair value of contingent considerations	20	-	4
		5,867	2,237
Changes in non-cash operating working capital items	16	4,656	1,738
Income taxes recovered		701	1,628
Finance costs paid		(677)	(721)
		10,547	4,882
INVESTING ACTIVITIES			
Business acquisition of Captagua Ingeniería S.A., net of cash acquired	2	(252)	-
Acquisition of investments	9	-	(135)
Proceeds from disposal of investments	9	131	42
Acquisition of property, plant and equipment	10	(6,566)	(4,032)
Proceeds from disposal of property, plant and equipment	10	463	295
		(6,224)	(3,830)
FINANCING ACTIVITIES			
Proceeds from factoring		6,527	-
Repayment on factoring		(8,401)	-
Proceeds from long-term debt		68,082	48,650
Repayment of long-term debt		(68,482)	(49,615)
		(2,274)	(965)
Effect of exchange rate changes		(152)	(26)
Increase in cash		1,897	61
Cash, beginning of year		396	335
Cash, end of year		2,293	396

See accompanying notes to consolidated financial statements.

(in thousands of Canadian dollars, except for data per share and option data)

1. DESCRIPTION OF BUSINESS

Orbit Garant Drilling Inc. (the «Company»), amalgamated under the *Canada Business Company Act* , mainly operates a surface and underground diamond drilling business. The Company has operations in Canada, United States, Central and South America, West Africa and Kazakhstan.

The Company's head office is located at 3200, boul. Jean-Jacques Cossette, Val-d'Or (Québec), Canada. The Company holds interests in several entities, including the percentage of voting rights in its principal subsidiaries as follows:

	% of voting rights
Services de forage Orbit Garant Inc.	100%
9116-9300 Québec inc.	100%
Drift Exploration Drilling Inc.	100%
Drift de Mexico SA de CV	100%
Lantech Drilling Services Inc.	100%
Perforación Orbit Garant Chile SpA	100%
Orbit Garant Drilling Ghana Limited	100%
Cygnus-Orbit Drilling SpA	100%
Orbit Garant Chile S.A. (since December 30, 2015)	100%
Perforación Orbit Garant Peru S.A.C. (since May 30, 2016)	100%
OGD Drilling (Guyana) Inc. (since August 16, 2016)	100%

2. BUSINESS ACQUISITION

Acquisition of Captagua Ingeniería S.A. (Orbit Garant Chile S.A.):

On December 30, 2015, the Company acquired all issued and outstanding shares of Captagua Ingeniería S.A., which provides an expertise in drilling and a presence in Chile, a major mining jurisdiction. This acquisition is expected to enhance the Company's platform for future growth in Chile and throughout South America. Captagua Ingeniería S.A. has an experienced management team, highly skilled personnel and a strong reputation in the Chilean market. The purchase price for the transaction was a total net consideration of $1,718 through the issuance of 1,824,900 common shares of the Company valued at a price of $0.70 per share at the acquisition date and an adjustment of an amount of $441 to be paid when the acquired company will receive the reimbursement of income tax receivable. The total assets acquired totaled an amount of $15,129 and the total liabilities assumed totalled an approximate amount of $8,391. The amount of goodwill will not be taxable for income tax purposes.

The results of operations of Captagua Ingeniería S.A. are included in the consolidated financial statements from December 30, 2015.

On August 16, 2016, the Company changed the legal corporate name of Captagua Ingeniería S.A. to Orbit Garant Chile S.A.

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(in thousands of Canadian dollars, except for data per share and option data)

2. BUSINESS ACQUISITION (continued)

The purchase price of that above transaction was allocated to the net assets acquired on the basis of their fair values as follows:

Business acquisition date:	Captagua Ingeniería S.A. (December 30, 2015)
	$
Cash	189
Accounts receivable	5,673
Inventory	1,790
Income taxes receivable	441
Other current assets	34
Property, plant and equipment	7,002
Accounts payable and accrued liabilities	(2,889)
Factoring liabilities	(3,269)
Finance lease	(2,233)
Negative goodwill recorded to earnings	(5,020)
Purchase price	1,718
Consideration	
Issuance of common shares	1,277
Account payable related to income tax return	441
	1,718

Business acquisition costs

For the year ended June 30, 2016, business acquisition costs of $781 related to the transaction described above and were included in the general and administrative expenses in the consolidated statement of loss.

Impact of business acquisition on the results

Since the date of acquisition, revenues and net loss from this business acquisition amounted to $6,216 and $2,281, respectively. Considering the nature of this acquisition, the available financial information does not allow for the accurate disclosure of pro-forma revenues and net earnings had the Company concluded this acquisition at the beginning of its fiscal year.

3. BASIS OF PREPARATION

Basis of presentation

These consolidated financial statements have been prepared in accordance with *International Financial Reporting Standards («IFRS»)* , issued and effective, or issued and early adopted, for the year ended June 30, 2016. The IFRS accounting policies set out below were consistently applied to all periods presented.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in Note 5.

These consolidated financial statements have been prepared on a historical cost basis, except for the investments, which have been measured at fair value, and are presented in Canadian dollars, which is the currency of the primary economic environment in which the Company operates («functional currency»). All values are rounded to the nearest thousand dollars, except where otherwise indicated.

These consolidated financial statements were approved for issue by the Board of Directors of Orbit Garant Drilling Inc. on September 15, 2016.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. A subsidiary is an entity controlled by the Company. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, independently of its percentage of participation. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when the Company controls another entity.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of loss from the effective date of acquisition to the effective date of disposal, as appropriate. Intercompany transactions and balances are eliminated on consolidation.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at the fair value which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. This consideration can be comprised of cash, assets transferred, financial instruments issued, liabilities incurred by the Company to the former owner, or future contingent payments. The identifiable assets and liabilities of the business acquired are recognized at fair value at the acquisition date.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Results of operations of a business acquired are included in the Company's consolidated financial statements from the date of the business acquisition. Business acquisition and integration costs are expensed as incurred. Non-controlling interests in an entity acquired are presented in the consolidated statement of financial position within equity, separately from the equity attributable to shareholders in the «Equity» section in the consolidated statement of financial position. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Foreign currency translation

Financial statements of foreign operations are translated using the rate in effect at the end of each reporting period for assets and liabilities, and using the average exchange rates during the period for revenues and expenses. Adjustments arising from foreign currency translation are recorded in other comprehensive loss.

Foreign currency transactions are transactions in a currency other than the Company's functional currency. Foreign currency transactions are translated to the functional currency by applying the exchange rate prevailing at the date of the transactions. Translation gains and losses on assets and liabilities denominated in a foreign currency are included in the statement of comprehensive loss.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

Asset/Liability	Classification	Measurement
Cash	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Investments	Available-for-sale	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Factoring liabilities	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. Wages, paid leaves, bonuses and non-monetary benefits are short-term employee benefits, and they are recorded in the annual reporting period in which the employees of the Company render the related services.

Accounts receivable

Accounts receivable are initially stated at their fair value, less an allowance for doubtful accounts and an allowance for sales returns. The Company establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. Individual accounts receivables are written off when Management deems them not collectible. The carrying amounts for accounts receivable are net of allowances for doubtful accounts, which are estimated based on aging analysis of receivables, past experience, specific risks associated with the customer and other relevant information.

Cash and cash equivalents

Cash and cash equivalents include cash and bank overdraft of which the balance often fluctuates between the available cash amount and the indebtedness.

Inventories

The Company maintains an inventory of operating supplies, drill rods and drill bits. Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price less the estimated cost necessary to make the sale. Cost is determined on the first-in, first-out basis. Used and revised inventories are valued at 50% and 75% of cost respectively. The amount of the depreciation of inventories can be reversed when the circumstances that led to the impairment charge in the past no longer exists.

Investments

Investments in publicly traded securities are classified as available-for-sale. Available-for-sale investments are recorded at fair value, with unrealized gains or losses recorded in other comprehensive loss. Realized gains or losses are recorded in the consolidated statement of loss when the investment is sold.

If the fair value of an investment declines below the carrying amount, the Company undertakes an assessment of whether the impairment is significant or prolonged. When a decline in the fair value of an available-for-sale investment has been recognized in other comprehensive loss and there is objective evidence that the investment is impaired, any cumulative loss that has been recognized in other comprehensive loss is reclassified as an impairment loss in the consolidated statement of loss.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost represents the acquisition costs, net of government grants and investment tax credits, or manufacturing costs, including preparation, installation and testing costs. The manufacturing costs for drilling equipment include the material, direct labour and indirect specific costs.

Borrowing costs are also included in the cost of self-constructed property, plant and equipment. Future expenditures, such as maintenance and repairs, are expensed as incurred.

Cost of repairs and maintenance are charged to operations as incurred. Significant improvements are capitalized and amortized over the useful life of the asset.

Property, plant and equipment are recorded at cost and depreciation is calculated using the straight-line method based on their estimated useful life using the following periods:

	Useful life	Residual value
Buildings and components	5 to 40 years	-
Drilling equipment	5 to 10 years	0 - 20 %
Vehicles	5 years	-
Other	3 to 10 years	-

The depreciation begins when the property, plant and equipment are ready for their intended use. Land is not depreciated.

Intangible assets

Intangible assets are accounted for at cost less accumulated depreciation and accumulated impairment losses. Amortization is based on their estimated useful life using the straight-line method and the following period:

Drilling technology	5 years

Amortization methods, residual values and the useful lives of significant intangible assets are reviewed at each financial year-end. Any change is accounted for prospectively as a change in accounting estimate.

Impairment of long-lived assets

For the purposes of assessing impairment, assets are grouped in cash-generating units («CGU»), which represent the lowest levels for which there are separately identifiable cash inflows generated by those assets. The Company reviews, at the end of each reporting period, whether events or circumstances have occurred to indicate that the carrying amounts of its long-lived assets with finite useful lives may be less than their recoverable amounts.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill, other intangible assets having an indefinite useful life, and intangible assets not yet available for use are tested for impairment on June 30 of each financial year whenever there is an indication that the carrying amount of the asset, or the CGU to which an asset has been allocated, exceeds its recoverable amount. The recoverable amount is the higher of the fair value, less costs of disposal, and the value in use of the asset or the CGU. Fair value, less costs of disposal, represents the amount an entity could obtain at the valuation date from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use represents the present value of the future cash flows expected to be derived from the asset or the CGU.

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and attributed to assets in the CGU, prorated to the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets having an indefinite useful life, other than goodwill, can be reversed through the consolidated statement of loss to the extent that the carrying amount at the date that the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognised.

Income taxes

Current income taxes are recognized with respect to amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in earnings in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to an amount that is more likely than not to be realized. A deferred tax expense or benefit is recognized in other comprehensive earnings or otherwise directly in equity to the extent that it relates to items that are recognized in other comprehensive loss or directly in equity in the same or a different period.

In the course of the Company's operations, there are a number of uncertain tax positions due to the complexity of certain transactions and due to the fact that related tax interpretations and legislation are continually changing. When a tax position is uncertain, the Company recognizes an income tax benefit or reduces an income tax liability only when it is probable that the tax benefit will be realized in the future or that the income tax liability is no longer probable.

Financing fees

Financing fees related to long-term debt are capitalized in reduction of long-term debt and amortized using the effective interest rate.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Assets under leasing agreements are classified at the inception date of the lease as (i) finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee, or as (ii) operating leases for all other leases. All of the Company's current leases are classified as operating leases.

Operating lease rentals are recognized in the consolidated statement of loss on a straight-line basis over the period of the lease. Any lessee incentives are deferred and then recognized evenly over the lease term.

Revenue recognition

Revenue from drilling contracts is recognized on the basis of actual metres drilled for each contact. Revenue from ancillary services is recorded when the service is rendered and revenue from the sale of drilling rigs is recorded at shipping. The Company recognizes revenue when persuasive evidence of an arrangement exists, service has been rendered, merchandise has been shipped, the price to the buyer is fixed or determinable and collection is reasonably assured.

Earnings per share

Earnings per share are calculated using the weighted average number of shares outstanding during the year.

Diluted earnings per share are determined as net earnings, divided by the weighted average number of diluted common shares for the period. Diluted common shares reflect the potential dilutive effect of exercising the stock options based on the treasury stock method.

Stock options

The Company uses the fair value method to account for stock options. In accordance with this method, compensation cost is measured at the fair value of the option at the grant date using the Black-Scholes option pricing model and is amortized to earnings over the vesting period. The fair value is recognized as an expense with a corresponding increase in equity settled reserve. The amount recognized as an expense is adjusted to reflect the number of stock options expected to vest and is net of stock options cancelled prior of being vested. When unexercised stock options are forfeited or expired, the amounts are transferred to retained earnings.

5. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated by the Company and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates, assumptions and judgments concerning the future. Actual results could differ from these estimates. The estimates, assumptions and judgments that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Inventories

Inventory is measured at the lower of cost and net realizable value. In estimating net realizable values, Management takes into account the most reliable evidence available at the time the estimates are made. Net realizable value is the estimated selling price less the estimated cost necessary to make the sale. Used and revised inventories are valued at 50% and 75% of cost respectively. The amount of the depreciation of inventories can be reversed when the circumstances that led to the impairment charge in the past no longer exists.

Useful lives of depreciable assets

Depreciation methods, residual values and useful lives of property, plant and equipment are reviewed at each reporting date by Management. Any change is accounted for prospectively as a change in accounting estimate. As at June 30, 2016, Management assesses that the useful lives represent the expected utility of the assets to the Company.

Business combinations

On initial recognition, the assets and liabilities of the acquired business are included in the consolidated statement of financial position of the Company at their fair values. In measuring fair value, Management uses estimates about future cash flows and discount rates, however, the actual results may vary.

Impairment of long-lived assets

An impairment loss is recognized when the carrying amount of an asset is not recoverable and exceeds its recoverable value. Management reviews on a regular basis the impairment assessment of certain long-lived assets to criteria defined in Note 5. As at June 30, 2016, the Company concluded that there was no impairment indicators and did not perform an impairment test (see Notes 10 and 11).

Income taxes

The Company is subject to income taxes in various jurisdictions. Judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due in the future. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It established provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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5. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

Deferred income tax assets

The assessment of the probability in which deferred tax assets can be utilized is based on the Company's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Company operates are also carefully taken into consideration. If a forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by Management based on the specific facts and circumstances.

Provisions

Provisions are recognized when (i) the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and when (ii) the amount of the obligation can be reliably estimated.

Provisions are reviewed at each financial position date and changes in estimates are reflected in the consolidated statement of loss in the reporting period in which changes occur.

Stock options

The Company uses the fair value method to account for stock options. In accordance with this method, compensation cost is measured at the fair value of the option at the grant date using the Black-Scholes option pricing model which is based on significant assumptions such as volatility, dividend yield and expected term.

Functional currency

The Company applied judgment in determining the functional currency of the Company and its subsidiaries. Functional currency was determined based on the currency that mainly influences sales prices, labour, materials and other costs of providing services.

6. RECENT ACCOUNTING PRONOUNCEMENT

The Company has not early adopted the following new standards that have been issued, but are not yet effective:

IFRS 9 – Financial Instruments
IFRS 9 simplifies the measurement and classification for financial assets by reducing the number of measurement categories and removing complex rule-driven embedded derivative guidance in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of non-derivative financial instruments and its related classification and measurement. IFRS 9 is effective from years beginning January 1, 2018, with early adoption permitted.

6. RECENT ACCOUNTING PRONOUNCEMENT (continued)

IFRS 15 – Revenue from Contracts with Customers
IFRS 15 specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, *Revenue* , IAS 11, *Construction Contracts* , and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 is effective from years beginning January 1, 2018, with early adoption permitted.

IAS 16 – Property, Plant and Equipment
IAS 16 prohibits entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 16 are effective from years beginning January 1, 2016, with early adoption permitted.

IAS 38 – Intangible Assets
IAS 38 introduces a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset, except in two limited circumstances. The amendments to IAS 38 are effective from years beginning January 1, 2016, with early adoption permitted.

IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures
The amendment entitled *"Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"* specifies the treatment to be adopted when an entity sells or contributes assets that constitute a business to a joint venture or an associate or loses control of a subsidiary that contains a business but it retains joint control or significant influence, the gain or loss resulting from that transaction is recognized in full. When an entity sells or contributes assets that do not constitute a business to a joint venture or associate or loses control of a subsidiary that does not contain a business but it retains joint control or significant influence in a transaction involving an associate or a joint venture, the gain or loss resulting from that transaction is recognized only to the extent of the unrelated investors' interest in the joint venture or associate, the entity's share of the gain or loss is eliminated. The amendments to IFRS 10 are effective from years beginning January 1, 2016, with early adoption permitted.

IAS 1 – Presentation of Financial Statements
The amendment entitled "Disclosure Initiative" comprises several narrow-scope amendments to improve presentation and disclosure requirements in existing standards. The amendments to IAS 1 are effective from years beginning January 1, 2016, with early adoption permitted.

IAS 7 – Statement of cash flows
The amendment entitled "Disclosure initiative - Reconciliation of liabilities from financing activities" comprises amendments to provide investors with improved disclosures about an entity's debt and movements in debt during the reporting period and its liquidity. The amendments to IAS 7 are effective from years beginning January 1, 2017 without need to provide comparative information when they first apply the amendments, with early adoption permitted.

IAS 12 – Income taxes
The amendment entitled "Recognition of Deferred Tax Assets for Unrealized Losses" comprises amendments to give guidance that clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments to IAS 12 are effective from years beginning January 1, 2017, with early adoption permitted.

IFRS 16 – Leases
IFRS 16 specifies the new approach to lease accounting that requires a lessee to recognize assets and liabilities for the rights and obligations created by leases. IFRS 16 is effective from years beginning January 1, 2019, with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is applied.

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(in thousands of Canadian dollars, except for data per share and option data)

6. RECENT ACCOUNTING PRONOUNCEMENT (continued)

The following amendments to the standards have been issued by the IASB and are applicable to the Company for its years beginning on July 1, 2016 and thereafter, with an earlier application permitted:

Annual improvements to IFRS (2012-2014 Cycle), which include among others:

Amendments to IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*, introduce guidance for when an entity reclassifies an asset (or disposal group) from held-for-sale to held-for-distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued.

Amendments to IFRS 7, *Financial Instruments: Disclosure*, provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets, and guidance as to whether the disclosure requirements on offsetting financial assets and financial liabilities should be included in consolidated financial statements.

The adoption of the above standards is not expected to have a significant impact on the Company's consolidated financial statements.

7. EXPENSES BY NATURE

Detail of the depreciation and amortization expenses

The depreciation expense of property, plant and equipment and the amortization expense of intangible assets have been charged to the consolidated statement of loss and comprehensive loss as follows:

	June 30 2016	June 30 2015
	$	$
Cost of contract revenue	9,306	8,820
General and administrative expenses	1,494	1,632
Total depreciation and amortization	10,800	10,452

Principal expenses by nature

Cost of contract revenue, general and administrative expenses, foreign exchange (gain) loss, finance costs and negative goodwill, by nature are as follows:

	June 30 2016	June 30 2015
	$	$
Depreciation and amortization	10,800	10,452
Employee benefits expense	56,277	43,465
Cost of inventory	24,823	20,260
Other expenses	21,061	14,078
Negative goodwill	(5,020)	-
Total cost of contract revenue, general and administrative expenses, foreign exchange (gain) loss, finance costs and negative goodwill	107,941	88,255

(in thousands of Canadian dollars, except for data per share and option data)

8. INVENTORIES

Inventories consist of the following:

	June 30 2016	June 30 2015
	$	$
Spare parts, net	11,680	11,461
Consumables, net	22,879	21,360
Other	730	1,057
	35,289	33,878

Spare parts mainly include motors and heads. Spare parts are expensed when used on equipment. Consumables mainly include destructive tools, rods, hammers, wire lines and casings. Consumables are expensed when they are used.

The cost of inventory recognized as an expense and included in cost of contract revenue has been recorded as follows:

	June 30 2016	June 30 2015
	$	$
	24,823	20,260

During the year, an amount of $326 (2015: $295) has been accounted for as a write-down of inventory as a result of net realizable value being lower than cost.

The Company's credit facilities are in part secured by a general assignment of the Company's inventories.

9. INVESTMENTS

Changes in investments were as follows:

	June 30 2016	June 30 2015
	$	$
Investments in public companies, beginning of year	424	300
Acquisitions of investments	-	135
Disposal of investments	(51)	(11)
Unrealized gain on available-for-sale investments	336	-
Investments in public companies, end of year	709	424

The Company holds common shares in publicly traded companies. These shares are designated as available-for-sale and are reported at fair value, reflecting their quoted share price as at the financial position date. As at June 30, 2016, the investments were recorded at the fair value. The original cost was $373 ($424 as at June 30, 2015).

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(in thousands of Canadian dollars, except for data per share and option data)

10. PROPERTY, PLANT AND EQUIPMENT

Changes in the property, plant and equipment balance were as follows:

	Land	Buildings and components	Drilling equipment	Vehicles	Other	Total
Cost	$	$	$	$	$	$
Balance as at July 1, 2015	512	9,801	64,643	14,086	2,891	91,933
Additions	329	47	4,414	1,525	251	6,566
Disposals	-	-	(1,151)	(282)	(294)	(1,727)
Business acquisition (Note 2)	-	-	6,674	285	43	7,002
Effect of movements in exchange rates	-	-	190	(10)	(5)	175
Balance as at June 30, 2016	841	9,848	74,770	15,604	2,886	103,949
Accumulated Depreciation						
Balance as at July 1, 2015	-	2,430	39,099	8,805	1,894	52,228
Depreciation	-	538	7,589	1,686	404	10,217
Disposals	-	-	(1,117)	(174)	(302)	(1,593)
Effect of movements in exchange rates	-	-	134	(23)	8	119
Balance as at June 30, 2016	-	2,968	45,705	10,294	2,004	60,971

	Land	Buildings and components	Drilling equipment	Vehicles	Other	Total
Cost	$	$	$	$	$	$
Balance as at July 1, 2014	512	9,788	62,813	14,246	2,738	90,097
Additions	-	13	2,966	875	178	4,032
Disposals	-	-	(577)	(1,066)	(26)	(1,669)
Write-off	-	-	(697)	-	-	(697)
Effect of movements in exchange rates	-	-	138	31	1	170
Balance as at June 30, 2015	512	9,801	64,643	14,086	2,891	91,933
Accumulated Depreciation						
Balance as at July 1, 2014	-	1,874	32,967	7,794	1,422	44,057
Depreciation	-	556	7,096	1,722	495	9,869
Disposals	-	-	(614)	(725)	(23)	(1,362)
Write-off	-	-	(480)	-	-	(480)
Effect of movements in exchange rates	-	-	130	14	-	144
Balance as at June 30, 2015	-	2,430	39,099	8,805	1,894	52,228
June 30, 2015:						
Net book value	512	7,371	25,544	5,281	997	39,705
Portion related to finance leases	-	-	-	-	-	-
June 30, 2016:						
Net book value	841	6,880	29,065	5,310	882	42,978
Portion related to finance leases	-	-	3,394	339	-	3,733

The gain on disposal of property, plant and equipment totalling $329 for the year ended June 30, 2016 (a loss of $12 for the year ended June 30, 2015) is included in cost of contract revenue. The write-off of property, plant and equipment totalling $217 for the year ended June 30, 2015 is included in cost of contract revenue. There was no impairment charge recognised for the years ended June 30, 2016 and 2015.

(in thousands of Canadian dollars, except for data per share and option data)

11. INTANGIBLE ASSETS

Changes in the intangible assets balance were as follows:

Drilling technology	Cost	Accumulated amortization	Total
	$	$	$
Balance as at July 1, 2014	2,912	(1,746)	1,166
Amortization	-	(583)	(583)
Balance as at June 30, 2015	2,912	(2,329)	583
Amortization	-	(583)	(583)
Balance as at June 30, 2016	2,912	(2,912)	-

Net book value:	
June 30, 2015	583
June 30, 2016	-

There was no impairment charge recognised for the years ended June 30, 2016 and 2015.

12. LONG-TERM DEBT

	June 30 2016	June 30 2015
	$	$
Loan authorized for a maximum amount of $25 million ($30 million before December 19, 2014), bearing interest at prime rate plus 0.50%, effective rate as at June 30, 2016 3.20%, maturing December 2017, secured by first rank hypothec on the universality of all present and future assets (a) (b)	7,403	7,448
Finance leases, bearing interest between 3.34% and 29.02%, maturing December 2020	1,933	-
	9,336	7,448
Current portion	(889)	-
	8,447	7,448

(a) The rate is variable based on the quarterly calculation of a financial ratio and can vary from prime rate plus 0.50% to 2.25% (0.50% to 2.00% before December 19, 2014).

(b) An unamortized amount of $97 ($152 as at June 30, 2015), representing financing fees, has been presented in deduction of the long-term debt. This amount is being amortized to earnings over the term of the debt, using the effective interest method.

Under the terms of the long-term debt agreement, the Company must satisfy certain restrictive covenants as to minimum financial ratios (Note 13). As at June 30, 2016, the Company was compliant with its financial covenants (June 30, 2015: the Company was compliant with its financial covenants).

On June 30, 2016, the prime rate was 2.70% (2.85% as at June 30, 2015).

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(in thousands of Canadian dollars, except for data per share and option data)

12. LONG-TERM DEBT (continued)

As at June 30, 2016, principal payments required in the next years are as follows:

	Loan	Finance lease	Total
	$	$	$
Not more than one year	-	889	889
Later than one year and not later than five years	7,500	1,044	8,544
	7,500	1,933	9,433

Minimum lease payments are as follows:

	Minimum lease payments	Present value of minimum lease payments	
		June 30 2016	June 30 2015
	$	$	$
Not more than one year	975	889	-
Later than one year and not later than five years	1,103	1,044	-
	2,078	1,933	-
Less: future finance charges	(145)	-	-
Present value of minimum lease payments	1,933	1,933	-

Long-term debt and finance lease by currency and by term are as follows:

As at June 30, 2016	Total	Not more than one year	Later than one but not later than five years
	$	$	$
CAN	7,807	57	7,750
Chilean Pesos (CLP)	1,626	832	794
	9,433	889	8,544

13. CAPITAL MANAGEMENT

The Company includes shareholders' equity, long-term debt and bank overdraft net of cash in the definition of capital.

Total managed capital was as follows:

	June 30 2016	June 30 2015
	$	$
Long-term debt and finance leases	9,336	7,448
Share capital	55,688	54,411
Equity settled reserve	1,468	1,458
Retained earnings	21,720	21,750
Cash	(2,293)	(396)
	85,919	84,671

(in thousands of Canadian dollars, except for data per share and option data)

13. CAPITAL MANAGEMENT (continued)

The Company's objective when managing its capital structure is to maintain financial flexibility in order to i) preserve access to capital markets; ii) meet financial obligations and iii) finance internally generated growth and potential new acquisitions. To manage its capital structure, the Company may adjust spending, issue new shares, issue new debt or repay existing debts.

Under the terms of certain of the Company's debt agreements, the Company must satisfy certain financial covenants, such as Senior debt to earnings before income taxes, interest, depreciation and amortization ratio, Senior debt to capitalization ratio and fixed charge coverage ratio. Such agreements also limit, among other things, the Company's ability to incur additional indebtedness, create liens, engage in mergers or acquisitions and make dividend and other payments. As at June 30, 2016, as mentioned in Note 12, the Company complied with its covenants (June 30, 2015: the Company was compliant with its financial covenants).

In order to facilitate the management of its capital requirements, the Company prepares annual budgets that are updated as necessary, dependent on various factors.

The Company's objectives with regards to capital management remain unchanged from the prior year.

14. SHARE CAPITAL

Authorized, an unlimited number of common and preferred shares:

Common shares, participating and voting, without nominal or par value

Preferred shares, rights' privileges, restrictions and conditions shall be provided before their issuance by a resolution of the Board of Directors of the Company.

	June 30, 2016		June 30, 2015	
	Number of shares	$	Number of shares	$
Balance, beginning of the year	33,276,519	54,411	33,276,519	54,411
Shares issued for business acquisition [(a)]	1,824,900	1,277	-	-
Balance, end of the year	35,101,419	55,688	33,276,519	54,411

(a) As at December 30, 2015, the Company issued a total of 1,824,900 common shares for a total amount of $1,277 as part of the consideration for the acquisition of Captagua Ingeniería S.A. (see Note 2).

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(in thousands of Canadian dollars, except for data per share and option data)

14. SHARE CAPITAL (continued)

Net loss per share

Diluted net loss per common share was calculated based on net loss divided by the average number of common shares outstanding using the treasury stock method. Stock options are not included in the computation of diluted net loss per share as their inclusion would be anti-dilutive.

Net loss per share - basic	June 30 2016	June 30 2015
Net loss available to common shareholders	(213) $	(7,387) $
Weighted average basic number of common shares outstanding	34,188,969	33,276,519
Net loss per share - basic	(0.01) $	(0.22) $

Net loss per share - diluted	June 30 2016	June 30 2015
Net loss available to common shareholders	(213) $	(7,387) $
Weighted average basic number of common shares outstanding	34,188,969	33,276,519
Adjustment to average number of common shares - stock options	-	-
Weighted average diluted number of common shares outstanding	34,188,969	33,276,519
Net loss per share - diluted	(0.01) $	(0.22) $

2007 stock option plan

In January 2007, the Board of Directors adopted an equity settled stock option plan «2007 Stock Option Plan». The purpose of this plan is to retain, motivate and reward qualified directors, officers, employees and consultants of the Company.

The vesting and expiry terms of the outstanding options were modified in June 2008 and now vest at the rate of 50% 31 days after the closing date of the IPO and 25% on each of the first and second anniversary of the closing date of the IPO and will expire 10 years after the grant date.

(in thousands of Canadian dollars, except for data per share and option data)

14. SHARE CAPITAL (continued)

2008 stock option plan

Also, on June 26, 2008, the Company established the new equity settled option plan «2008 Stock Option Plan», which is intended to aid in attracting, retaining and motivating the Company's officers, employees, directors and consultants. The new option plan has been prepared in accordance with TSX's policies on listed company security-based compensation arrangements. Persons eligible to be granted options under the new option plan are: any director, officer or employee of Orbit Garant or of any subsidiary company controlled by any such person or a family trust of which at least one trustee is any such person and all of the beneficiaries of which are such person and his or her spouse or children.

The aggregate number of common shares which may be issued from treasury upon the exercise of options under the 2008 stock option plan shall not exceed 10% of the issued and outstanding common shares (this limit does not include, for greater certainty, options outstanding under the 2007 stock option plan). The number of common shares which may be reserved for issuance pursuant to options granted under the new option plan, together with common shares reserved for issuance from treasury under any other employee-related plan of the Company, or options for services granted by the Company to any one person, shall not exceed 5% of the then aggregate issued and outstanding common shares.

The Board of Directors, through the recommendation of the Corporate Governance and Compensation Committee, manages the 2008 Stock Option Plan and determines, among other things, optionees, vesting periods, exercise price and other attributes of the options, in each case pursuant to the 2008 stock option plan, applicable securities legislation and the rules of the TSX. Unless otherwise determined by the Board of Directors, options vest at a rate of 20% per annum commencing 12 months after the date of grant and expire no later than 7 years after the grant date. Options are forfeited when the option holder ceases to be a director, officer or employee of the Company. The exercise price for any option may not be less than the fair market value (the closing price of the common shares on the TSX on the last trading day on which common shares traded prior to such day, or the average of the closing bid and ask prices over the last five trading days, if no trades accrued over that period) of the common shares at the time of the grant of the option.

All stock options outstanding are granted to directors, officers and employees. Details regarding the stock options outstanding are as follows:

	June 30, 2016		June 30, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Outstanding at the beginning of year	2,226,500	1.35	3,763,500	2.72
Granted during the year	732,000	0.70	75,000	1.35
Cancelled during the year	(81,000)	2.26	(1,612,000)	4.55
Outstanding at end of year	2,877,500	1.16	2,226,500	1.35
Exercisable at end of year	1,561,000	1.27	1,381,000	1.27

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(in thousands of Canadian dollars, except for data per share and option data)

14. SHARE CAPITAL (continued)

On January 20, 2016, 732,000 stock options have been granted to employees and directors giving the option to purchase a common share for an exercice price of $0.70 per share which represents the fair value of a common share at the date of the grant. These options have a life of 7 years and will vest at a rate of 20% per annum commencing 12 months after the date of the grant.

The following table summarizes information on stock options outstanding at June 30, 2016:

Range of exercise price $	Outstanding at June 30, 2016	Weighted average remaining life (years)	Weighted average exercise price $	Exercisable at June 30, 2016	Weighted average exercise price $
0.50 - 2.40	2,860,000	3.46	1.14	1,543,500	1.24
2.40 - 4.30	17,500	2.19	4.00	17,500	4.00
	2,877,500			1,561,000	

The Company's calculations of the fair value of options granted were made using the Black-Scholes option-pricing model. The following table summarizes the grant date fair value calculations with weighted average assumptions:

	Granted in January 2016	Granted in December 2014
Risk-free interest rate	0.63%	1.32%
Expected life (years)	5	5
Expected volatility (based on historical volatility)	40.00%	59.94%
Expected dividend yield	0%	0%
Fair value of options granted	$0.25	$0.69

During the years mentioned below, the total expense related to share-based compensation to employees and directors has been recorded and presented in general and administrative expenses as follows:

	June 30 2016 $	June 30 2015 $
Expense related to share-based compensation	193	437

(in thousands of Canadian dollars, except for data per share and option data)

15. INCOME TAXES

Income tax expense recovery comprises the following:

	June 30 2016	June 30 2015
Current tax	$	$
Current year	(55)	(1,060)
Prior year adjustments	(38)	40
	(93)	(1,020)
Deferred tax		
Current year	(123)	(865)
Effect of corporate tax rate modification	-	(19)
	(123)	(884)
	(216)	(1,904)

The tax rates prescribed by the applicable laws are at 26.37% in 2016 and at 26.63% in 2015.

	June 30 2016	June 30 2015
	$	$
Loss before income taxes	(429)	(9,291)
Statutory rates	26.37%	26.63%
Income taxes recovery based on statutory rates	(113)	(2,474)
Increase (decrease) of income taxes due to the following:		
Non-deductible expenses and other	95	179
Non-deductible share-based compensation expense	51	116
Non-deductible reversal of contingent considerations	-	(40)
Non taxable negative goodwill	(1,324)	-
Effect of corporate tax rate modification	-	(19)
Prior year adjustments	(38)	40
Change in fair value of contingent considerations	-	1
Income tax asset not recognized	1,113	293
Total income taxes recovery	(216)	(1,904)

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(in thousands of Canadian dollars, except for data per share and option data)

15. INCOME TAXES (continued)

Deferred income taxes are based on differences between the accounting and tax values of assets and liabilities and consist of the following as at the dates presented:

	July 1 2015	Recognized in statement of loss	Other	June 30 2016
	$	$	$	$
Deferred income tax assets:				
Loss carried forward	3,103	(739)	-	2,364
Total deferred income tax assets	3,103	(739)	-	2,364
Deferred income tax liabilities:				
Investments	-	-	45	45
Property, plant and equipment	1,856	(428)	-	1,428
Intangible assets	121	(141)	(19)	(39)
Total deferred income tax liabilities	1,977	(569)	26	1,434
Less: income tax asset not recognized	(293)	293	-	-
Net deferred income tax liabilities (assets)	(833)	(123)	26	(930)

	July 1 2014	Recognized in statement of loss	Other	June 30 2015
	$	$	$	$
Deferred income tax assets:				
Loss carried forward	2,473	630	-	3,103
Total deferred income tax assets	2,473	630	-	3,103
Deferred income tax liabilities:				
Property, plant and equipment	2,289	(433)	-	1,856
Intangible assets	252	(114)	(17)	121
Total deferred income tax liabilities	2,541	(547)	(17)	1,977
Less: income tax asset not recognized	-	(293)	-	(293)
Net deferred income tax liabilities (assets)	68	(884)	(17)	(833)

16. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

Changes in non-cash operating working capital items:

	June 30 2016	June 30 2015
	$	$
Accounts receivable	3,224	(3,350)
Inventories	379	2,545
Prepaid expenses	878	(132)
Accounts payable and accrued liabilities	175	2,675
	4,656	1,738

(in thousands of Canadian dollars, except for data per share and option data)

17. COMMITMENTS AND GUARANTEES

Commitments

The Company has entered into operating lease agreements expiring in 2020 which call for lease payments of $480 for the rental of vehicles. The Company has also entered into lease agreements for offices expiring in 2021 for minimum lease payments of $1,564. None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions. The minimum lease payments under lease agreements for the next five years are detailed as follows:

	$
2017	661
2018	450
2019	394
2020	369
2021	170

Lease payments recognised as an expense during the year amount to $1,708 (year ended June 30, 2015: $1,175). This amount consists of minimum lease payments. No sublease payments or contingent rent payments were made or received. No sublease income is expected as all assets held under lease agreements are used exclusively by the Company.

Guarantees

For the year ended June 30, 2016, the Company issued some bank guarantees in favor of customers for a total amount of $885, maturing in December 2017. For the year ended June 30, 2016, the Company has not made any payments in connection with these guarantees.

18. RELATED PARTY TRANSACTIONS

The Company is related to Dynamitage Castonguay Ltd., company owned by directors.

During the year, the Company entered into the following transactions with its related company and with a person related to a director:

	June 30 2016	June 30 2015
	$	$
Sales	25	84
Purchases	94	21

As at June 30, 2016, there was no accounts receivable resulting from these transactions (June 30, 2015: $nil).

All of these related party transactions are measured at fair value.

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(in thousands of Canadian dollars, except for data per share and option data)

19. KEY MANAGEMENT PERSONNEL COMPENSATION

The remuneration recognized for key management remuneration and director's fees, is analyzed as follows:

	June 30 2016	June 30 2015
	$	$
Salaries and fees	1,287	1,023
Share-based compensation	149	52
	1,436	1,075

20. FINANCIAL INSTRUMENTS

The Company is exposed to various risks related to its financial assets and liabilities. There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks, or the methods used to measure them, from previous years, unless otherwise stated in this note.

Currency risk

The Company realizes a part of its activities in US dollars, in Chilean Pesos and in GHS cedi and is thus exposed to foreign exchange fluctuations. The Company does not actively manage this risk. As at June 30, 2016, the Company has cash in US dollars for an amount of $1,473 (June 30, 2015, $244) and accounts receivable in US dollars for an amount of $640 (June 30, 2015, $250). The Company has cash in Chilean Pesos for an amount of CLP292,449,849 (June 30, 2015, CLP43,635,125) and accounts receivable in Chilean Pesos for an amount of CLP1,076,241,833 (June 30, 2015, CLP244,153,954). The Company has cash in GHS cedi for an amount of 131,758 (June 30, 2015, nil) and accounts receivable in GHS cedi for an amount of 519,382 (June 30, 2015, nil).

As at June 30, 2016, the Company has estimated that a 10% increase or decrease of the US exchange rate would have caused a corresponding annual increase or decrease in net loss and comprehensive loss of $197 (June 30, 2015, $44), a 10% increase or decrease of the Chilean Pesos exchange rate would have caused a corresponding annual increase or decrease in net loss and comprehensive loss of $23 (June 30, 2015, $20) and a 10% increase or decrease of the GHS cedi exchange rate would have caused a corresponding annual increase or decrease in net loss and comprehensive loss of $66 (June 30, 2015: nil).

Credit risk

The Company provides credit to its customers in the normal course of its operations. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. It carries out, on a continuing basis, credit checks on its customers and maintains provisions for contingent credit losses. Demand for the Company's drilling services depends upon the level of mineral exploration and development activities conducted by mining companies, particularly with respect to gold, nickel and copper.

In order to reduce the credit risk, the Company is using insurance coverage from Export Development Canada («EDC») on certain accounts receivable from its customers. The insurance program provides under certain terms and conditions an insurance coverage amount of up to 90% of unpaid accounts. As at June 30, 2016, the amount of the insurance coverage from EDC represents 7% of the accounts receivable (nil% as at June 30, 2015).

The carrying amounts for accounts receivable are net of allowances for doubtful accounts, which are estimated based on aging analysis of receivables, past experience, specific risks associated with the customer and other relevant information. The maximum exposure to credit risk is the carrying value of the financial assets.

(in thousands of Canadian dollars, except for data per share and option data)

20. FINANCIAL INSTRUMENTS (continued)

The allowance for doubtful accounts is established based on the Company's best estimate on the recovery of balances for which collection may be uncertain. Uncertainty of collection may become apparent from various indicators, such as a deterioration of the credit situation of a given client or delay in collection when the aging of invoices exceeds the normal payment terms. Management regularly reviews accounts receivable and assesses the appropriateness of the allowance for doubtful accounts.

The change in the allowance for doubtful accounts is detailed below:

	June 30 2016	June 30 2015
	$	$
Balance at beginning of year	1,010	1,126
Change in allowance, other than write-offs and recoveries	383	422
Write-offs of accounts receivable	(298)	(101)
Recoveries	(21)	(437)
Balance at end of year	1,074	1,010

As at June 30, 2016, 53% (June 30, 2015: 42%) of the trade accounts receivable are aged as current and 5% are impaired (June 30, 2015: 5%).

One major customer represents 10% of the trade accounts receivable as at June 30, 2016 (June 30, 2015, one major customer represents 25% of these accounts).

Two major customers represent 39% of the contract revenue for the year ended June 30, 2016 (year ended June 30, 2015, one major customer represents 21%).

Credit risk also arises from cash and cash equivalents with banks and financial institutions. This risk is limited because the counterparties are mainly Canadian banks with high credit ratings.

The Company does not enter into derivatives to manage credit risk.

Interest rate risk

The Company is subject to interest rate risk since a significant part of the long-term debt bears interest at variable rates.

As at June 30, 2016, the Company has estimated that a 1% point increase or decrease in interest rates would have caused a corresponding annual increase or decrease in net loss of $55 (June 30, 2015, $56).

Equity market risk

Equity market risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors the general trends in the stock markets and individual equity movements, and determines the appropriate course of actions to be taken by the Company.

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(in thousands of Canadian dollars, except for data per share and option data)

20. FINANCIAL INSTRUMENTS (continued)

Fair value

The fair value of cash, accounts receivable, accounts payable and accrued liabilities and factoring liabilities is approximately equal to their carrying values due to their short-term maturity.

The fair value of long-term debt approximates its carrying value as it bears interest at a variable rate and has financing conditions similar to those currently available to the Company.

Fair value hierarchy

The methodology used to measure the Company's financial instruments accounted for at fair value is determined based on the following hierarchy:

Level	Basis for determination of fair value
Level 1	Quoted prices in active markets for identical assets or liabilities
Level 2	Inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the asset or
Level 3	Inputs for the asset or liability that are not based on observable market data

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

As at June 30, 2016, the investments are classified as a Level 1 financial instrument as the fair value is determined using other inputs than quoted prices in the active markets.

The changes in the contingent considerations are detailed below:

	June 30 2016	June 30 2015
	$	$
Balance at beginning of year	-	146
Reversal of contingent considerations	-	(150)
Change in fair value of contingent considerations	-	4
Balance at end of year	-	-

There were no transfers of amounts between Level 1, Level 2 and Level 3 financial instruments for the year ended June 30, 2015. For the year ended June 30, 2016, the investments were transferred from Level 2 to Level 1 because recently, there is an active market for those quoted prices.

(in thousands of Canadian dollars, except for data per share and option data)

20. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk arises from the Company's management of working capital, the finance charges and principal repayments on its debt instruments. It is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. In Note 13 are details of undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

				As at June 30, 2016
	Total	0 -1 year	2 - 3 years	4 - 5 years
	$	$	$	$
Accounts payable and accrued liabilities	15,362	15,362	-	-
Factoring liabilities	1,395	1,395	-	-
Long-term debt (capital only)	7,500	-	7,500	-
Finance lease	1,933	889	1,044	-
	26,190	17,646	8,544	-

				As at June 30, 2015
	Total	0 -1 year	2 - 3 years	4 - 5 years
	$	$	$	$
Accounts payable and accrued liabilities	12,298	12,298	-	-
Long-term debt (capital only)	7,600	-	7,600	-
	19,898	12,298	7,600	-

21. SEGMENTED INFORMATION

The Company is separated into two geographical reportable segments: Canada and International (US, Central, South America, West Africa and Kazakhstan). The elements of the results and the financial situation are divided between the segments, based on destination of contracts or profits. Data by geographical areas follow the same accounting rules as those used for the consolidated accounts. Transfers between segments are carried out at market prices.

Operational sectors are presented using the same criteria as for the production of the internal report to the chief operating decision maker, who allocates the resources and evaluates the performance of the operational sectors. The chief operating decision maker is considered as the President and Chief Executive Officer, who evaluates the performance of both segments by the revenues of ordinary activities from external clients and earnings (loss) from operation.

As of July 1, 2015, the Company revised its reporting information to reflect the changes made to its internal reporting structure and the way the chief operating decision maker evaluates the performance of the segments, and changed its measure of profit or loss for its reportable segments by replacing the gross profit by earning (loss) from operation. This change did not have any impact on the Company's consolidated financial statements, other than on its segment disclosures.

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(in thousands of Canadian dollars, except for data per share and option data)

21. SEGMENTED INFORMATION (continued)

Data relating to each of the Company's reportable operating segments are presented as follows:

	June 30 2016	June 30 2015 (Reclassified)
	$	$
Contract revenue		
Canada	92,449	76,083
International	15,063	2,881
	107,512	78,964
Profit (loss) from operation		
Canada	4,557	(273)
International	(4,709)	(5,586)
	(152)	(5,859)
General and corporate expenses [(1)]	4,565	2,841
Finance costs	732	591
Negative goodwill	(5,020)	-
Income taxes recovery	(216)	(1,904)
	61	1,528
Net loss	(213)	(7,387)

(1) General and corporate expenses include expenses for corporate offices, stock options and certain unallocated costs.

	June 30 2016	June 30 2015 (Reclassified)
Depreciation and amortization		
Canada	7,142	7,738
International	2,164	1,082
Unallocated and corporate assets	1,494	1,632
	10,800	10,452

	As at June 30, 2016	As at June 30, 2015
	$	$
Identifiable assets		
Canada	76,200	82,402
International	28,964	14,963
	105,164	97,365
Property, plant and equipment		
Canada	31,477	35,999
International	11,501	3,706
	42,978	39,705

Directors

Paul Carmel
Chair of the Board od Directors

William N. Gula (1, 2)
Senior Advisor, Morrison Park Advisors, and
Partner, Hansell LLP

Jean-Yves Laliberté (1*, 2)
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Edmund Stuart (1, 2*)
President, Brannach Services Inc.

Pierre Alexandre
Vice Chair and Vice President of Corporate Development,
Orbit Garant Drilling Inc.

Eric Alexandre
President and Chief Executive Officer, Orbit Garant Drilling Inc.

1 Member of Audit Committee.
2 Member of Corporate Governance and Compensation Committee.
* Denotes Committee Chair.

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President and Chief Executive Officer

Pierre Alexandre
Vice Chairman and Vice President of Corporate Development

Alain Laplante
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Common Shares Outstanding
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Annual Meeting
Tuesday, December 6, 2016 in Montréal
Le Centre Sheraton Montréal Hôtel, Salon 3
1201 Boulevard René-Lévesque Ouest
The meeting will commence at 10:00 a.m. (ET)

CONTACT

Should you have any questions regarding Orbit Garant Drilling and its operations, please do not hesitate to contact us at one of our offices listed below. It will be our pleasure to assist you and we look forward to working with you to address your specific needs.

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