Unaudited Interim Condensed Consolidated Financial Statements

First Quarter Fiscal 2014

(For the three month periods ended September 30, 2013 and 2012)

These interim condensed consolidated financial statements have not been reviewed by the Company's external auditors.

ORBIT GARANT DRILLING INC.

Interim condensed consolidated statements of earnings and comprehensive earnings

For the three month periods ended September 30, 2013 and 2012

(in thousands of Canadian dollars, except for earnings per share)

(Unaudited)

	Notes	September 30 2013 (3 months)	September 30 2012 (3 months)
		$	$
Contract revenue	14	18,474	34,909
Cost of contract revenue	5	16,505	27,980
Gross profit		1,969	6,929
Expenses			
General and administrative expenses	5	3,104	3,769
Other expenses	5	22	36
Finance costs	5	199	327
		3,325	4,132
Earnings (loss) before income taxes		(1,356)	2,797
Income taxes (recovery)	10		
Current		(76)	829
Deferred		(210)	(55)
		(286)	774
Net earnings (loss) and comprehensive earnings (loss) attribuable to shareholders		(1,070)	2,023
Earnings (loss) per share attribuable to shareholders	9		
Basic		(0.03)	0.06
Diluted		(0.03)	0.06

See accompanying notes to interim condensed consolidated financial statements.

ORBIT GARANT DRILLING INC.

Interim condensed consolidated statements of changes in equity

For the three month periods ended September 30, 2013 and 2012

(in thousands of Canadian dollars)

(Unaudited)

Three month period ended September 30, 2013	Share capital	Equity settled reserve	Retained Earnings	Total Shareholders' Equity
	$	$	$	$
	(Note 9)	(Note 9)		
Balance as of July 1, 2013	54,411	4,480	31,327	90,218
Net loss and comprehensive loss	-	-	(1,070)	(1,070)
Share-based compensation	-	194	-	194
Balance as of September 30, 2013	54,411	4,674	30,257	89,342

Three month period ended September 30, 2012	Share capital	Equity settled reserve	Retained Earnings	Total Shareholders' Equity
	$	$	$	$
	(Note 9)	(Note 9)		
Balance as of July 1, 2012	54,411	3,524	57,797	115,732
Net earnings and comprehensive earnings	-	-	2,023	2,023
Share-based compensation	-	241	-	241
Balance as of September 30, 2012	54,411	3,765	59,820	117,996

See accompanying notes to interim condensed consolidated financial statements.

ORBIT GARANT DRILLING INC.

Interim condensed consolidated statements of financial position

As of September 30, 2013 and June 30, 2013

(in thousands of Canadian dollars)

(Unaudited)

	Notes	September 30 2013	Juin 30 2013
		$	$
ASSETS			
Current assets			
Cash		767	1,507
Accounts receivable	13	18,255	18,157
Inventories		38,687	38,751
Income taxes receivable		2,253	2,292
Prepaid expenses		1,003	1,019
		60,965	61,726
Non-current assets			
Property, plant and equipment	6	51,708	53,729
Intangible assets		1,602	1,748
Total assets		114,275	117,203
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		10,079	9,772
Contingent considerations	13	372	367
Current portion of long-term debt	7	317	338
		10,768	10,477
Non-current liabilities			
Contingent considerations	13	740	729
Long-term debt	7	12,277	14,421
Deferred tax liabilities		1,148	1,358
		24,933	26,985
EQUITY			
Share capital	9	54,411	54,411
Equity settled reserve	9	4,674	4,480
Retained earnings		30,257	31,327
Equity attributable to shareholders		89,342	90,218
Total liabilities and equity		114,275	117,203

APPROVED BY THE BOARD

(signed) Éric Alexandre, Director

(signed) Jean-Yves Laliberté, Director

See accompanying notes to interim condensed consolidated financial statements.

ORBIT GARANT DRILLING INC.
Interim condensed consolidated statements of cash flows
For the three month periods ended September 30, 2013 and 2012

(in thousands of Canadian dollars)
(Unaudited)

	Notes	September 30 2013 (3 months)	September 30 2012 (3 months)
		$	$
OPERATING ACTIVITIES			
Earnings (loss) before income taxes		(1,356)	2,797
Items not affecting cash:			
Depreciation of property, plant and equipment	5	2,684	2,667
Amortization of intangible assets	5	146	474
Loss (gain) on disposal of property, plant and equipment	6	(12)	37
Share-based compensation	9	194	241
Finance costs		183	267
Change in fair value of contingent considerations	13	16	60
		1,855	6,543
Changes in non-cash operating working capital items	11	289	3,563
Income taxes paid		115	(1,161)
Finance costs paid		(162)	(246)
		2,097	8,699
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6	(783)	(3,883)
Proceeds from disposal of property, plant and equipment	6	126	73
		(657)	(3,810)
FINANCING ACTIVITIES			
Proceeds from long-term debt		11,600	18,355
Repayment of long-term debt		(13,786)	(23,635)
		(2,186)	(5,280)
Effect of exchange rate changes		6	16
Decrease in cash		(740)	(375)
Cash, beginning of year		1,507	1,959
Cash, end of year		767	1,584

See accompanying notes to interim condensed consolidated financial statements.

(in thousands of Canadian dollars, except for earnings 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 and West Africa.

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%
Orbit Garant Ontario Inc.	100%
Drift Exploration Drilling Inc.	100%
Drift de Mexico SA de CV	100%
Lantech Drilling Services Inc.	100%
Lantech Liberia Limited	100%
Perforación Orbit Garant Chile SpA	100%

2. BASIS OF PRESENTATION

Basis of presentation

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* , («IAS 34»). The IFRS accounting policies that are set out in Note 3 to the Company's annual audited consolidated statements for the year ended June 30, 2013 were consistently applied to all periods presented, except for accounting policies affected by standards and interpretations adopted on July 1, 2013, as described in Note 3 below. These interim condensed consolidated financial statements have not been subject to a review engagement by the Company's external auditors.

The preparation of financial statements in conformity with IAS 34 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 4 in the Company's annual audited consolidated financial statements for the year ended June 30 , 2013. They remained unchanged for the three month period ended September 30, 2013.

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except for the contingent liabilities, 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 and its subsidiaries operate («functional currency»). All values are rounded to the nearest thousand dollars, except where otherwise indicated.

These interim condensed consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's 2013 annual audited consolidated financial statements.

These interim condensed consolidated financial statements were approved for issue by the Board of Directors of Orbit Garant Drilling Inc. on November 12, 2013.

2. BASIS OF PRESENTATION (continued)

Principles of consolidation

The interim condensed 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. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, 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 earnings from the effective date of acquisition to the effective date of disposal, as appropriate. Intercompany transactions and balances are eliminated on consolidation.

3. STANDARDS AND INTERPRETATIONS ADOPTED

The following standards and amendments to existing standards have been adopted by the Company on July 1, 2013:

IFRS 10 – Consolidated Financial Statements

IFRS 10 replaces SIC-12 *Consolidation – Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements* and provides additional guidance regarding the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.

IFRS 11 – Joint Arrangements

IFRS 11 replaces IAS 31, *Interests in Joint Ventures* , with guidance that focuses on the rights and obligations of the arrangement, rather than its legal form. It also withdraws the option to proportionately consolidate an entity's interests in joint ventures. The new standard requires that such interests be recognized using the equity method.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose entities and other off balance sheet vehicles.

IFRS 13 – Fair value measurements

IFRS 13 defines fair value, requires the disclosure of estimates at fair value and provides guidance on measuring fair value when required or permitted to do so according to the IFRS standards.

IFRS 7 - Financial instruments - Disclosure

IFRS 7 is amended to include obligations of qualitative and quantitative information related to gross and net amounts recognized in the financial statements that, a) are subject to an offset in the Statement of financial position and b) are subject to a master netting agreement or similar agreement enforceable even if they are not netted in the Statement of financial position.

IAS 19 - Employee benefits

IAS 19 is amended to eliminate the application of the so-called «corridor» method and has the effect of deferring the recognition of gains and losses to simplify the presentation of changes in assets and liabilities arising from defined benefit plans and improve disclosures for defined benefit plans.

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

3. STANDARDS AND INTERPRETATIONS ADOPTED (continued)

IAS 27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures
IAS 27 and IAS 28 are amended and renamed to be consistent with the publication of IFRS 10, IFRS 11 and IFRS 12.

The International Accounting Standards Board issued a collection of amendments to IFRS as follows :

IFRS 1, *First-time adoption of IFRS* («IFRS 1») related to repeated application of IFRS 1 and to borrowing costs.

IAS 1, *Presentation of Financial Statements* , related to clarification of the requirements for comparative information.

IAS 16, P*roperty, Plant and Equipment* , related to classification of servicing equipment.

IAS 32, *Financial Instruments* : Presentation, related to tax effect of distribution to holders of equity instruments.

IAS 34, *Interim Financial Reporting* , related to interim financial reporting and segment information for total assets and liabilities.

The standards and amendments listed above did not have any significant impact on the Company's financial statements.

4. RECENT ACCOUNTING PRONOUNCEMENT

The Company has not early adopted the following new standards and adoption impacts on the consolidated financial statements have not yet been determined:

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 periods beginning January 1, 2015 with early adoption permitted.

IAS 32 - Financial instruments - Presentation
IAS 32 is amended to include obligations of qualitative and quantitative information related to gross and net amounts recognized in the financial statements that, a) are subject to an offset in the Statement of financial position and b) are subject to a master netting agreement or similar agreement enforceable even if they are not netted in the Statement of financial position. Amended IAS 32 is applicable for the periods beginning on, or after January 1, 2014 and the disclosures must be presented retrospectively.

The Company is currently evaluating the impacts of adopting these standards on its financial statements.

5. EXPENSES BY NATURE

Detail of the depreciation and amortization expenses

The depreciation expense of property, plant and equipment and the amorization expense of intangible assets has been charged to the statement of earnings as follows:

	September 30 2013 (3 months)	September 30 2012 (3 months)
	$	$
Cost of contract revenue	2,375	2,421
General and administrative expenses	455	720
Total depreciation and amortization	2,830	3,141

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

5. EXPENSES BY NATURE (continued)

Principal expenses by nature

Cost of contract revenue, general and administrative expenses, other expenses (revenues) and finance costs , net by nature are as follows:

	September 30 2013 (3 months)	September 30 2012 (3 months)
	$	$
Depreciation and amortization	2,830	3,141
Employee benefits expense	10,101	14,488
Cost of inventory	4,075	6,879
Other expenses	2,824	7,604
Total cost contract revenue, general and administrative expenses, other expenses (revenues) and finance costs	19,830	32,112

6. PROPERTY, PLANT AND EQUIPMENT

Changes in the property, plant and equipment are detailed as follow for the periods:

	September 30 2013 (3 months)	September 30 2012 (3 months)
	$	$
Acquisition of property, plant and equipment	783	3,883
Disposal of property, plant and equipment	(126)	(73)
Loss (gain) on disposal of property, plant and equipment	(12)	37

The loss (gain) on disposal of property, plant and equipment is included in cost of contract revenue.

7. LONG-TERM DEBT

	September 30 2013	Juin 30 2013
	$	$
Loan authorized for a maximum amount of $40 million, bearing interest at prime rate plus 0.5%, effective rate as at September 30, 2013 3.5%, maturing May 2015, secured by first rank hypothec on the universality of all present and future assets (a) (b)	12,277	14,355
Loans, bearing interest at rates ranging from 0% to 1.5%, payable in monthly instalments of $29, maturing in September 2014, secured by certain vehicles of a net book value of $833 as at September 30, 2013 and $912 as at June 30, 2013	317	404
	12,594	14,759
Current portion	(317)	(338)
	12,277	14,421

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

7. LONG-TERM DEBT (continued)

(a) The rate is variable based on the quarterly calculation of a financial ratio and can vary from prime rate plus 0.5% to 1.50%. As per certain conditions, the credit facility can be increased by an amount of $20 million up to a maximum authorized amount of $60 million.

(b) An unamortized amount of $123 ($144 as at June 30, 2013), 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 8).

On September 30, 2013, the prime rate was 3% (3% as at June 30, 2013).

Principal payments required in each of the two years are as follows:

	$
2014	317
2015	12,400

8. 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:

	September 30 2013	Juin 30 2013
	$	$
Long-term debt	12,594	14,759
Share capital	54,411	54,411
Equity settled reserve	4,674	4,480
Retained earnings	30,257	31,327
Cash	(767)	(1,507)
	101,169	103,470

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 debt.

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 of September 30, 2013 and June 30, 2013, the Company was, and continues to be, in compliance with all covenants and other conditions imposed by its debt agreements.

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.

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

9. 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.

	Three month period ended September 30, 2013		Year ended June 30, 2013	
	Number of shares	$	Number of shares	$
Balance, beginning of the year	33,376,519	54,411	33,376,519	54,411
Shares issued	-	-	-	-
Balance, end of the year	33,376,519	54,411	33,376,519	54,411

Earnings (loss) per share

Diluted earnings (loss) per common share were calculated based on net earnings (loss) divided by the average number of common shares outstanding taking into account the dilutive effect of stock options using the treasury stock method.

Earnings (loss) per share - basic	September 30 2013 (3 months)	September 30 2012 (3 months)
Net earnings (loss) available to common shareholders	(1,070) $	2,023 $
Weighted average basic number of common shares outstanding	33,276,519	33,276,519
Earnings (loss) per share - basic	(0.03) $	0.06 $

Earnings (loss) per share - diluted	September 30 2013 (3 months)	September 30 2012 (3 months)
Net earnings (loss) available to common shareholders	(1,070) $	2,023 $
Weighted average basic number of common shares outstanding	33,276,519	33,276,519
Adjustment to average number of common shares - stock options	-	704,904
Weighted average diluted number of common shares outstanding	33,276,519	33,981,423
Earnings (loss) per share - diluted	(0.03) $	0.06 $

The calculation of the diluted earnings (loss) per share for the three month period ended September 30, 2013 excludes the effect of 2,155,500 options (1,590,000 for the three month period ended September 30, 2012) as they are anti-dilutive.

9. SHARE CAPITAL (continued)

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 will 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.

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 under the new option plan or reserved for issuance upon the exercise of options under the 2008 stock option plan shall not exceed 10% of the issued and outstanding common shares after giving effect to the June 26, 2008 offering excluding the number of options issued under the prior 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 10 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.

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

9. SHARE CAPITAL (continued)

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

	September 30, 2013 (3 months)	
	Number of options	Weighted average exercise price
		$
Outstanding at June 30, 2013	3,173,000	3.08
Granted during the period	-	0.00
Cancelled during the period	(23,000)	3.43
Outstanding at September 30, 2013	3,150,000	3.08
Exercisable at September 30,2013	2,044,000	2.66

The following table summarizes information on stock options outstanding at September 30, 2013:

Range of exercise price $	Outstanding at September 30, 2013	Weighted average remaining life (years)	Weighted average exercise price $	Exercisable at September 30, 2013	Weighted average exercise price $
1.00 - 1.50	1,033,000	3.37	1.02	1,033,000	1.02
2.00 - 2.50	535,000	6.13	2.28	-	0.00
4.00	925,000	5.19	4.00	805,000	4.00
5.60 - 6.02	657,000	4.60	5.67	206,000	5.69
	3,150,000			2,044,000	

During the three month periods mentionned 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:

	September 30 2013 (3 months)	September 30 2012 (3 months)
	$	$
Expense related to share-based compensation	194	241

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

10. INCOME TAXES

The applicable tax rate of the Company corresponds to Canadian combined rates applicable in the provinces where the Company operates.

	September 30 2013 (3 months)	September 30 2012 (3 months)
	$	$
Earnings (loss) before income taxes	(1,356)	2,797
Statutory rates	26.52%	26.54%
Income taxes (recovery) based on statutory rates	(360)	742
Increase (decrease) of income taxes due to the following:		
Non-deductible expenses and other	28	17
Non-deductible share-based compensation expense	51	64
Effect of corporate tax rate modification	(9)	-
Prior year adjustments	-	(65)
Change in fair value of contingent considerations	4	16
Total income taxes (recovery)	(286)	774

11. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

Changes in non-cash operating working capital items:

	September 30 2013 (3 months)	September 30 2012 (3 months)
	$	$
Accounts receivable	(98)	4,188
Inventories	64	(399)
Prepaid expenses	16	188
Accounts payable and accrued liabilities	307	(414)
	289	3,563

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

12. COMMITMENTS

The Company has entered into operating lease agreements expiring in 2017 which call for lease payments of $282 for the rental of vehicles. The Company has also entered into lease agreements for offices expiring in 2021 for minimum lease payments of $1,303. 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:

	$
2014	385
2015	266
2016	203
2017	182
2018	178
Subsequent years	371

13. 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 and is thus exposed to foreign exchange fluctuations. The Company does not actively manage this risk. As at September 30, 2013, the Company has cash in US dollars for an amount of $856 (June 30, 2013, $1,098) and accounts receivable in US dollars for an amount of $446 (June 30, 2013, $522).

As at September 30, 2013, 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 earnings and comprehensive earnings of approximately $53 (June 30, 2013, $68).

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, 2013, the amount of the insurance coverage from EDC represents approximately 27% of the accounts receivable (35% in June 30, 2013).

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 earnings per share and option data)

13. 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:

	September 30 2013 (3 months)	September 30 2012 (3 months)
	$	$
Balance at beginning of the period	1,239	308
Change in allowance, other than write-offs and recoveries	36	191
Write-offs of trade receivables	-	(4)
Recoveries	(46)	(179)
Balance at end of the period	1,229	316

As at September 30, 2013, 34% (June 30, 2013: 37%) of the trade accounts receivable are aged as current and 7% are impaired (June 30, 2013: 7%).

No major customer represents more than 10% of the trade accounts receivable as at September 30, 2013 (June 30, 2013, one major customer represents 26% of these accounts).

One major customer represents 18% of the contract revenue for the three month period ended September 30, 2013 (three month period ended September 30, 2012, one major customer represents 17%).

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 September 30, 2013, 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 earnings of approximately $93 (June 30, 2013, $110).

Fair value

The fair value of cash, accounts receivable and accounts payable and accrued 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. The fair value on the contingent considerations has been evaluated with a discounted rate value.

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

13. FINANCIAL INSTRUMENTS (continued)

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 liability;
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 September 30, 2013 and June 30, 2013, the contingent considerations, the only financial instruments at fair value, are classified as a Level 3 financial instrument as the fair value is determined using a discounted rate value, between 6.5% and 12%. There is no observable inputs for that financial intrument.

The changes in the contingent considerations are detailed below:

	September 30 2013 (3 months)	September 30 2012 (3 months)
	$	$
Balance at beginning of the period	1,096	4,356
Change in fair value of contingent considerations	16	60
Balance at end of the period	1,112	4,416

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 8 are details of undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

	As at September 30, 2013			
	Total	0 -1 year	2 - 3 years	4 - 5 years
	$	$	$	$
Accounts payable and accrued liabilities	10,079	10,079	-	-
Contingent considerations	1,175	375	800	-
Long-term debt (capital only)	12,717	317	12,400	-
	23,971	10,771	13,200	-

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

14. SEGMENTED INFORMATION

The Company is separated into two geographical segments: Canada and International (US, Central and South America and West Africa). The elements of the results and the financial situation are divided between the sectors, 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 sectors 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 sectors by the revenues of ordinary activities from external clients, gross margin and net income.

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

	September 30 2013 (3 months)	September 30 2012 (3 months)
	$	$
Contract revenue		
Canada	17,666	32,318
International	808	2,591
	18,474	34,909
Gross profit		
Canada	2,238	7,197
International	(269)	(268)
	1,969	6,929
General corporate expenses	3,126	3,805
Finance costs	199	327
Income taxes (recovery)	(286)	774
	3,039	4,906
Net earnings (loss)	(1,070)	2,023
Depreciation and amortization		
Canada	2,091	2,096
International	284	325
Unallocated and corporate assets	455	720
	2,830	3,141

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

14. SEGMENTED INFORMATION (continued)

	As at September 30, 2013	As at June 30, 2013
	$	$
Identifiable assets		
Canada	100,786	104,187
International	13,489	13,016
	114,275	117,203
Property, plant and equipment		
Canada	46,652	48,928
International	5,056	4,801
	51,708	53,729