Unaudited Interim Condensed Consolidated Financial Statements

First Quarter Fiscal 2015

(For the three-month periods ended September 30, 2014 and 2013)

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

ORBIT GARANT DRILLING INC.

Interim condensed consolidated statements of loss and comprehensive loss

For the three-month periods ended September 30, 2014 and 2013

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

(Unaudited)

	Notes	September 30 2014 (3 months)	September 30 2013 (3 months)
		$	$
Contract revenue	15	20,708	18,474
Cost of contract revenue	5	18,739	16,505
Gross profit		1,969	1,969
Expenses			
General and administrative expenses	5	2,690	3,104
Other expenses (revenues)	5	(133)	22
Finance costs	5	159	199
		2,716	3,325
Loss before income taxes		(747)	(1,356)
Income taxes (recovery)	11		
Current		174	(76)
Deferred		(325)	(210)
		(151)	(286)
Loss and comprehensive loss attributable to shareholders		(596)	(1,070)
Loss per share attributable to shareholders	10		
Basic		(0.02)	(0.03)
Diluted		(0.02)	(0.03)

See accompanying notes to interim concensed consolidated financial statements.

ORBIT GARANT DRILLING INC.
Consolidated statements of changes in equity
For the three-month periods ended September 30, 2014 and 2013
(in thousands of Canadian dollars)
(Unaudited)

Three-month period ended September 30, 2014	Share capital	Equity settled reserve	Retained Earnings	Total Shareholders' Equity
	$	$	$	$
	(Note 10)	(Note 10)		
Balance as of July 1, 2014	54,411	5,133	25,025	84,569
Net loss and comprehensive loss	-	-	(596)	(596)
Share-based compensation	-	156	-	156
Balance as of September 30, 2014	54,411	5,289	24,429	84,129

Three-month period ended September 30, 2013	Share capital	Equity settled reserve	Retained Earnings	Total Shareholders' Equity
	$	$	$	$
	(Note 10)	(Note 10)		
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

ORBIT GARANT DRILLING INC.
Interim condensed consolidated statements of financial position
As of September 30, 2014 and June 30, 2014
(in thousands of Canadian dollars)
(Unaudited)

	Notes	September 30 2014	June 30 2014
		$	$
ASSETS			
Current assets			
Cash		518	335
Accounts receivable	14	17,569	15,540
Inventories		35,679	36,423
Income taxes receivable		1,780	1,869
Prepaid expenses		916	1,280
		56,462	55,447
Non-current assets			
Investments	6	370	300
Property, plant and equipment	7	43,903	46,040
Intangible assets		1,020	1,166
Deferred tax assets		257	-
Total assets		102,012	102,953
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		10,548	9,623
Contingent considerations	14	148	146
Current portion of long-term debt	8	7,187	8,547
		17,883	18,316
Non-current liabilities			
Deferred tax liabilities		-	68
		17,883	18,384
EQUITY			
Share capital	10	54,411	54,411
Equity settled reserve	10	5,289	5,133
Retained earnings		24,429	25,025
Equity attributable to shareholders		84,129	84,569
Total liabilities and equity		102,012	102,953

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, 2014 and 2013

(in thousands of Canadian dollars)
(Unaudited)

	Notes	September 30 2014 (3 months)	September 30 2013 (3 months)
		$	$
OPERATING ACTIVITIES			
Loss before income taxes		(747)	(1,356)
Items not affecting cash:			
Depreciation of property, plant and equipment	5	2,551	2,684
Amortization of intangible assets	5	146	146
Gain on disposal of property, plant and equipment	7	(20)	(12)
Share-based compensation	10	156	194
Finance costs		157	183
Change in fair value of contingent considerations	14	2	16
		2,245	1,855
Changes in non-cash operating working capital items	12	4	289
Income taxes recovered (paid)		(85)	115
Finance costs paid		(152)	(162)
		2,012	2,097
INVESTING ACTIVITIES			
Acquisition of investments	6	(70)	-
Acquisition of property, plant and equipment	7	(517)	(783)
Proceeds from disposal of property, plant and equipment	7	127	126
		(460)	(657)
FINANCING ACTIVITIES			
Proceeds from long-term debt		11,400	11,600
Repayment of long-term debt		(12,765)	(13,786)
		(1,365)	(2,186)
Effect of exchange rate changes		(4)	6
Increase (decrease) in cash		183	(740)
Cash, beginning of the period		335	1,507
Cash, end of the period		518	767

(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 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%
Orbit Garant Drilling Ghana Limited	100%
Cygnus-Orbit Drilling SpA	70%

2. BASIS OF PREPARATION

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 5 to the Company's annual audited consolidated statements for the year ended June 30, 2014 were consistently applied to all periods presented, except for accounting policies affected by standards and interpretations adopted on July 1, 2014, 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 6 in the Company's annual audited consolidated financial statements for the year ended June 30, 2014. They remained unchanged for the three-month period ended September 30, 2014.

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 2014 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, 2014.

2. BASIS OF PREPARATION (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. 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 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, 2014:

IAS 32 – Financial Instruments - Presentation

IAS 32 is amended to provide clarification on the application of rules to offset financial assets and financial liabilities. The following notions are clarified: legally enforceable right to offset, application of simultaneous realization or settlement, offsetting a guaranteed amount and the unit of accounting for application of the offsetting obligations.

IAS 36 – Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets

IAS 36 is amended to address the disclosure information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.

IFRIC 21 – Levies

IFRIC Interpretation 21 considers how an entity should account for levies imposed by governments, other than income taxes, in its financial statements.

Annual improvements to IFRS (2010-2012 Cycle), which include among others:

Amendments to IFRS 2, *Share-based Payments* , relate to the definitions of «vesting condition» and «market condition» and add definitions for «performance condition» and «service condition».

Amendments to IFRS 3, *Business Combinations* , clarify that contingent consideration classified as an asset or a liability should be measured at fair value on each reporting date, irrespective of whether the contingent consideration is a financial instrument or a non-financial asset or liability.

Amendments to IFRS 8, *Operating Segments* , require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments and clarity that a reconciliation of the total of the reportable segments' assets and the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision maker.

Amendments to IFRS 13, *Fair Value Measurement* , clarify that the issuance of IFRS 13 did not remove the ability to measure current receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

3. STANDARDS AND INTERPRETATIONS ADOPTED (continued)

Annual improvements to IFRS (2011-2013 Cycle), which include among others:

Amendments to IFRS 3, *Business Combinations* , clarify that the scope of IFRS 3 does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

Amendments to IFRS 13, *Fair Value Measurement* , clarify that the scope of the portfolio exception for measuring the fair value of a group of financial liabilities on a net basis includes all contracts that are within the scope of IAS 39, *Financial Instruments: Recognition and Measurement* , even if those contracts do not meet the definition of financial assets or financial liabilities.

The standards and amendments listed above did not have any impact on the Company's interim condensed consolidated 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, 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 periods beginning January 1, 2017, 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 periods 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 periods beginning January 1, 2016, with early adoption permitted.

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

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

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 loss and comprehensive loss as follows:

	September 30 2014 (3 months)	September 30 2013 (3 months)
	$	$
Cost of contract revenue	2,289	2,375
General and administrative expenses	408	455
Total depreciation and amortization	2,697	2,830

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 2014 (3 months)	September 30 2013 (3 months)
	$	$
Depreciation and amortization	2,697	2,830
Employee benefits expense	10,397	10,101
Cost of inventory	5,413	4,075
Other expenses	2,948	2,824
Total cost of contract revenue, general and administrative expenses, other expenses (revenues) and finance costs	21,455	19,830

6. INVESTMENTS

Changes in investments were as follows:

	September 30 2014	June 30 2014
	$	$
Investments in public companies, beginning of the period	300	-
Acquisitions	70	116
Conversion of accounts receivable	-	184
Investments in public companies, end of the period	370	300

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

7. PROPERTY, PLANT AND EQUIPMENT

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

	September 30 2014 (3 months)	September 30 2013 (3 months)
	$	$
Acquisition of property, plant and equipment	517	783
Disposal of property, plant and equipment	(127)	(126)
Gain on disposal of property, plant and equipement	(20)	(12)

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

8. LONG-TERM DEBT

	September 30 2014	June 30 2014
	$	$
Loan authorized for a maximum amount of $30 million, bearing interest at prime rate plus 0.5%, effective rate as at September 30, 2014 3.5%, maturing May 2015, secured by first rank hypothec on the universality of all present and future assets (a) (b)	7,187	8,482
Loans, bearing interest at rates ranging from 0% to 1.5%, payable in monthly instalments of $26, matured in September 2014	-	65
	7,187	8,547
Current portion	(7,187)	(8,547)
	-	-

(a) The rate is variable based on the quarterly calculation of a financial ratio and can vary from prime rate plus 0.5% to 2.0%. As per certain conditions, the credit facility can be increased by an amount of $20 million up to a maximum authorized amount of $50 million.

(b) An unamortized amount of $13 ($18 as at June 30, 2014), 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 9). As at September 30, 2014, the Company was compliant with its financial covenants.

On September 30, 2014, the prime rate was 3% (3% as at June 30, 2014).

Principal payments required in the next year are as follows:

	$
2015	7,200

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

9. 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 2014	June 30 2014
	$	$
Long-term debt	7,187	8,547
Share capital	54,411	54,411
Equity settled reserve	5,289	5,133
Retained earnings	24,429	25,025
Cash	(518)	(335)
	90,798	92,781

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 at September 30, 2014, as mentioned in Note 8, the Company was compliant with its financial covenants. As at June 30, 2014, the Company was in breach of certain financial covenants imposed by its debt agreement.

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 data per share and option data)

10. 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, 2014		Year ended June 30, 2014	
	Number of shares	$	Number of shares	$
Balance, beginning of the period	33,276,519	54,411	33,276,519	54,411
Shares issued	-	-	-	-
Balance, end of the period	33,276,519	54,411	33,276,519	54,411

Loss per share

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

Loss per share - basic	September 30 2014 (3 months)		September 30 2013 (3 months)	
Loss available to common shareholders	(596)	$	(1,070)	$
Weighted average basic number of common shares outstanding	33,276,519		33,276,519	
Loss per share - basic	(0.02)	$	(0.03)	$

Loss per share - diluted	September 30 2014 (3 months)		September 30 2013 (3 months)	
Loss available to common shareholders	(596)	$	(1,070)	$
Weighted average basic number of common shares outstanding	33,276,519		33,276,519	
Adjustment to average number of common shares - stock options (1)	-		-	
Weighted average diluted number of common shares outstanding	33,276,519		33,276,519	
Loss per share - diluted	(0.02)	$	(0.03)	$

(1) Stock options are not included in the computation of diluted loss per share as their inclusion would be anti-dilutive.

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

10. 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, 2014 (3 months)		September 30, 2013 (3 months)	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Outstanding at the beginning of the period	3,763,500	2.72	3,173,000	3.08
Granted during the period	-	-	-	-
Cancelled during the period	(24,500)	4.71	(23,000)	3.43
Outstanding at end of the period	3,739,000	2.70	3,150,000	3.08
Exercisable at end of the period	2,317,500	2.83	2,044,000	2.66

The following table summarizes information on stock options outstanding at September 30, 2014:

Range of exercise price $	Outstanding at September 30, 2014	Weighted average remaining life (years)	Weighted average exercise price $	Exercisable at September 30, 2014	Weighted average exercise price $
1.00 - 1.50	1,685,500	3.84	1.02	1,033,000	1.02
2.00 - 2.50	505,000	5.13	2.28	101,000	2.28
4.00	923,500	4.19	4.00	863,500	4.00
5.60 - 6.02	625,000	3.59	5.67	320,000	5.68
	3,739,000			2,317,500	

During the 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 2014 (3 months)	September 30 2013 (3 months)
	$	$
Expense related to share-based compensation	156	194

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

11. INCOME TAXES

The tax rate prescribed by the applicable laws is at 26.75% in 2014 and at 26.52% in 2013. The applicable tax rate of the Company corresponds to Canadian combined rates applicable in the provinces where the Company operates.

	September 30 2014 (3 months)	September 30 2013 (3 months)
	$	$
Loss before income taxes	(747)	(1,356)
Statutory rates	26.75%	26.52%
Income taxes recovery based on statutory rates	(200)	(360)
Increase (decrease) of income taxes due to the following:		
Non-deductible expenses and other	1	28
Non-deductible share-based compensation expense	43	51
Effect of corporate tax rate modification	4	(9)
Change in fair value of contingent considerations	1	4
Total income taxes recovery	(151)	(286)

12. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

Changes in non-cash operating working capital items:

	September 30 2014 (3 months)	September 30 2013 (3 months)
	$	$
Accounts receivable	(2,029)	(98)
Inventories	744	64
Prepaid expenses	364	16
Accounts payable and accrued liabilities	925	307
	4	289

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

13. COMMITMENTS

The Company has entered into operating lease agreements expiring in 2017 which call for lease payments of $110 for the rental of vehicles. The Company has also entered into lease agreements for offices expiring in 2021 for minimum lease payments of $1,372. 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:

	$
2015	390
2016	286
2017	258
2018	178
2019	178
Subsequent years	192

14. 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, 2014, the Company has cash in US dollars for an amount of $584 (June 30, 2014, $726) and accounts receivable in US dollars for an amount of $196 (June 30, 2014, $174).

As at September 30, 2014, 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 approximately $13 (June 30, 2014, $37).

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 September 30, 2014, the amount of the insurance coverage from EDC represents approximately 5% of the accounts receivable (5% in June 30, 2014). Due to the reduction of International drilling demands the Company does not meet the EDC requirements. Consequently, the insurance coverage ceased as of May 1, 2014. Considering the payed premiums and claims made over the past years, the Company has evaluated that this change will have little impact on its financial results.

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)

14. 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 2014 (3 months)	September 30 2013 (3 months)
	$	$
Balance at beginning of the period	1,126	1,239
Change in allowance, other than write-offs and recoveries	5	36
Recoveries	-	(46)
Balance at end of the period	1,131	1,229

As at September 30, 2014, 48% (June 30, 2014: 45%) of the trade accounts receivable are aged as current and 6% are impaired (June 30, 2014: 7%).

One major customer represents 13% of the trade accounts receivable as at September 30, 2014 (June 30, 2014, one major customer represents 12% of these accounts).

Two major customers represent 33% of the contract revenue for the three-month period ended September 30, 2014 (three-month period ended September 30, 2013, one major customer represents 18%).

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, 2014, 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 approximately $53 (June 30, 2014, $63).

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 and accounts payable and accrued liabilities is approximately equal to their carrying values due to their short-term maturity. The fair value of the investments is equal to their original cost.

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 data per share and option data)

14. 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, 2014 and June 30, 2014, the contingent considerations are classified as a Level 3 financial instrument as the fair value is determined using a discounted rate value of 6.5%. There is no observable inputs for that financial intrument. The investments are classified as a Level 2 financial instrument as the fair value is determined using other inputs than quoted prices in the active market.

The changes in the contingent considerations are detailed below:

	September 30 2014 (3 months)	September 30 2013 (3 months)
	$	$
Balance at beginning of the period	146	1,096
Change in fair value of contingent considerations	2	16
Balance at end of the period	148	1,112

There were no transfers of amounts between Level 1, Level 2 and Level 3 financial instruments for the periods ended September 30, 2014 and June 30, 2014.

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

				As at September 30, 2014
	Total	0 -1 year	2 - 3 years	4 - 5 years
	$	$	$	$
Accounts payable and accrued liabilities	10,548	10,548	-	-
Contingent considerations	150	150	-	-
Long-term debt (capital only)	7,200	7,200	-	-
	17,898	17,898	-	-

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

15. 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 operations 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 earnings.

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

	September 30 2014 (3 months)	September 30 2013 (3 months)
	$	$
Contract revenue		
Canada	20,505	17,666
International	203	808
	20,708	18,474
Gross profit		
Canada	2,564	2,238
International	(595)	(269)
	1,969	1,969
General corporate expenses	2,557	3,126
Finance costs	159	199
Income taxes recovery	(151)	(286)
	2,565	3,039
Loss	(596)	(1,070)
Depreciation and amortization		
Canada	2,046	2,091
International	243	284
Unallocated and corporate assets	408	455
	2,697	2,830

	As at September 30, 2014	As at June 30, 2014
	$	$
Identifiable assets		
Canada	92,586	93,263
International	9,426	9,690
	102,012	102,953
Property, plant and equipment		
Canada	41,267	43,184
International	2,636	2,856
	43,903	46,040