Unaudited Interim Condensed Consolidated Financial Statements

First Quarter Fiscal 2018

(For the three-month periods ended September 30, 2017 and 2016)

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

ORBIT GARANT DRILLING INC.
Interim condensed consolidated statements of earnings (loss)
For the three-month periods ended September 30, 2017 and 2016
(in thousands of Canadian dollars, except for data per share)
(Unaudited)

	Notes	September 30 2017 (3 months)	September 30 2016 (3 months)
		$	$
Contract revenue	16	42,475	30,508
Cost of contract revenue	5	35,734	27,625
Gross profit		6,741	2,883
Expenses			
General and administrative expenses	5	3,748	3,382
Foreign exchange (gain) loss	5	83	(139)
Finance costs	5	337	191
		4,168	3,434
Earnings (loss) before income taxes		2,573	(551)
Income taxes (recovery)	11		
Current		659	(83)
Deferred		230	(221)
		889	(304)
Net earnings (loss) attributable to shareholders		1,684	(247)
Net earning (loss) per share attributable to shareholders	10		
Basic		0.05	(0.01)
Diluted		0.05	(0.01)

See accompanying notes to interim condensed consolidated financial statements.

ORBIT GARANT DRILLING INC.

Interim condensed consolidated statements of comprehensive earnings (loss)

For the three-month periods ended September 30, 2017 and 2016

(in thousands of Canadian dollars)

(Unaudited)

	Notes	September 30 2017 (3 months)	September 30 2016 (3 months)
		$	$
Net earnings (loss)		1,684	(247)
Other comprehensive earnings (loss)			
Items that may be reclassified subsequently to net earnings (loss)			
Change in fair value on available-for-sale investments	6	(13)	(26)
Deferred income tax		1	3
		(12)	(23)
Cumulative translation adjustments		(12)	14
Other comprehensive earnings (loss), net of income tax		(24)	(9)
Comprehensive earnings (loss) attributable to shareholders		1,660	(256)

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, 2017 and 2016

(in thousands of Canadian dollars)

(Unaudited)

Three-month period ended September 30, 2017	Share capital	Equity settled reserve	Retained Earnings	Accumulated other comprehensive earnings (loss)	Total Shareholders' Equity
	$	$	$	$	$
	(Note 10)	(Note 10)			
Balance as at July 1, 2017	57,130	1,178	15,907	49	74,264
Total comprehensive loss					
Net earnings	-	-	1,684	-	1,684
Other comprehensive earnings					
Change in fair value on available-for-sale investments, net of deferred income tax	-	-	-	(12)	(12)
Cumulative translation adjustments	-	-	-	(12)	(12)
Other comprehensive earnings	-	-	-	(24)	(24)
Transactions with shareholders, recorded directly in equity:					
Issuance of shares related to share-based compensation	1	(1)	-	-	-
Share-based compensation	-	58	-	-	58
Share options cancelled	-	(163)	163	-	-
Total transactions with shareholders	1	(106)	163	-	58
Balance as at September 30, 2017	57,131	1,072	17,754	25	75,982

Three-month period ended September 30, 2016	Share capital	Equity settled reserve	Retained Earnings	Accumulated other comprehensive earnings (loss)	Total Shareholders' Equity
	$	$	$	$	$
	(Note 10)	(Note 10)			
Balance as at July 1, 2016	55,688	1,468	21,720	195	79,071
Total comprehensive loss					
Net loss	-	-	(247)	-	(247)
Other comprehensive (earnings) loss					
Change in fair value on available-for-sale investments, net of deferred income tax	-	-	-	(23)	(23)
Cumulative translation adjustments	-	-	-	14	14
Other comprehensive loss	-	-	-	(9)	(9)
Transactions with shareholders, recorded directly in equity:					
Share-based compensation	-	50	-	-	50
Total transactions with shareholders	-	50	-	-	50
Balance as at September 30, 2016	55,688	1,518	21,473	186	78,865

See accompanying notes to interim condensed consolidated financial statements.

ORBIT GARANT DRILLING INC.
Interim condensed consolidated statements of financial position
As of September 30, 2017 and June 30, 2017
(in thousands of Canadian dollars)
(Unaudited)

	Notes	September 30 2017	June 30 2017
		$	$
ASSETS			
Current assets			
Cash		1,598	1,601
Trade and other receivables	15	33,759	24,210
Inventories		41,999	38,725
Income taxes receivable		529	58
Prepaid expenses		693	758
		78,578	65,352
Non-current assets			
Loan receivable	14	1,266	1,254
Investments	6	669	682
Property, plant and equipment	7	38,974	40,014
Deferred tax assets		3,407	3,636
Total assets		122,894	110,938
LIABILITIES			
Current liabilities			
Trade and other payables		26,504	18,981
Factoring liabilities		1,224	705
Income taxes payable		999	-
Current portion of long-term debt and finance leases	8	16,378	14,903
		45,105	34,589
Non-current liabilities			
Long-term debt and finance leases	8	1,807	2,085
		46,912	36,674
EQUITY			
Share capital	10	57,131	57,130
Equity-settled reserve	10	1,072	1,178
Retained earnings		17,754	15,907
Accumulated other comprehensive income		25	49
Equity attributable to shareholders		75,982	74,264
Total liabilities and equity		122,894	110,938

APPROVED BY THE BOARD

Éric Alexandre, Director

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, 2017 and 2016
(in thousands of Canadian dollars)
(Unaudited)

	Notes	September 30 2017 (3 months)	September 30 2016 (3 months)
		$	$
OPERATING ACTIVITIES			
Earnings (loss) before income taxes		2,573	(551)
Items not affecting cash:			
Depreciation of property, plant and equipment	5	2,174	2,765
Gain on disposal of property, plant and equipment	7	(118)	(12)
Gain on disposal of investments	6	-	(266)
Share-based compensation	10	58	50
Finance costs		337	191
		5,024	2,177
Changes in non-cash operating working capital items	12	(5,247)	(1,195)
Income taxes recovered		(131)	(69)
Finance costs paid		(321)	(171)
		(675)	742
INVESTING ACTIVITIES			
Proceeds from disposal of investments	6	-	352
Acquisition of property, plant and equipment	7	(1,344)	(1,397)
Proceeds from disposal of property, plant and equipment	7	322	51
		(1,022)	(994)
FINANCING ACTIVITIES			
Proceeds from factoring		1,872	1,017
Repayment on factoring		(1,353)	(2,412)
Proceeds from long-term debt and finance leases		19,722	25,200
Repayment of long-term debt and finance leases		(18,541)	(23,793)
		1,700	12
Effect of exchange rate changes on cash		(6)	(34)
Decrease in cash		(3)	(274)
Cash, beginning of the period		1,601	2,293
Cash, end of the period		1,598	2,019

See accompanying notes to interim condensed 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. The percentage of voting rights in its subsidiaries and its associates is as follows:

	% of voting rights
Orbit Garant Drilling Services Inc.	100%
9116-9300 Québec inc.	100%
Drift Exploration Drilling Inc.	100%
Drift de Mexico SA de CV	100%
Orbit Garant Chile S.A.	100%
Perforación Orbit Garant Chile SpA	100%
Orbit Garant Drilling Ghana Limited	100%
Perforación Orbit Garant Peru S.A.C.	100%
OGD Drilling (Guyana) Inc.	100%
Forage Orbit Garant BF S.A.S.	100%
Orbit Miyuu Kaa Drilling Inc.	49%
Sarliaq-Orbit Garant Inc.	49%

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 4 to the Company's annual audited consolidated statements for the year ended June 30, 2017 were consistently applied to all periods presented, other than Note 3. These interim condensed consolidated financial statements have not been subject to a review engagement by the Company's independant auditors.

The preparation of consolidated financial statements in conformity with IAS 34 requires the use of certain critical accounting estimates, assumptions and judgements. 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 annual audited consolidated financial statements for the year ended June 30, 2017. They remained unchanged for the three-month period ended September 30, 2017.

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except for the investments, which have been measured at fair value. They 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 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 2017 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 8, 2017.

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 are considered when the Company controls another entity.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the interim condensed consolidated statement of earnings (loss) 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, 2017:

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.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences.

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

4. RECENT ACCOUNTING PRONOUNCEMENT

New standards and interpretations not yet adopted:

IFRS 9 – Financial Instruments

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of these standards on its consolidated financial statements.

4. RECENT ACCOUNTING PRONOUNCEMENT (continued)

IFRS 15 – Revenue from Contracts with Customers

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRS. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. The Company is currently evaluating the impact of the adoption of these standards on its consolidated financial statements.

IFRS 16 – Leases

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 *Leases*. The Company is currently evaluating the impact of the adoption of these standards on its consolidated financial statements.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

The amendments provide requirements on the accounting for (i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight. The Company is currently evaluating the impact of the adoption of these standards on its consolidated financial statements.

IFRIC Interpretation 22 – Foreign Currency Transaction and Advance Consideration

IFRIC 22 clarifies that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset and deferred income liability, and that if there are multiple payments or receipt in advance, a date of transaction is established for each payment or receipt. IFRIC Interpretation 22 is effective from years beginning January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of the adoption of these standards on its consolidated financial statements.

IFRIC 23 – Uncertainty over Income Tax Treatments

The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Interpretation requires an entity to (i)contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; (ii) reflect an uncertainty in the amount of income tax payable (recoverable) if it is probable that it will pay (or recover) an amount for the uncertainty; and (iii) measure a tax uncertainty based on the most likely amount or expected value depending on whichever method better predicts the amount payable (recoverable). The extent of the impact of adoption of the Interpretation has not yet been determined.

(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 have been charged to the interim condensed consolidated statement of loss as follows:

	September 30 2017 (3 months)	September 30 2016 (3 months)
	$	$
Cost of contract revenue	1,961	2,561
General and administrative expenses	213	204
Total depreciation and amortization	2,174	2,765

Principal expenses by nature

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

	September 30 2017 (3 months)	September 30 2016 (3 months)
	$	$
Depreciation and amortization	2,174	2,765
Employee benefits expense	20,407	16,281
Cost of inventories	7,455	6,297
Other expenses	9,866	5,716
Total cost of contract revenue, general and administrative expenses, foreign exchange (gain) loss and finance costs	39,902	31,059

6. INVESTMENTS

Changes in investments were as follows:

	Three month-period ended September 30, 2017	Year ended June 30, 2017
	$	$
Investments in public companies, beginning of the period	682	709
Conversion of accounts receivable	-	60
Disposal of investments	-	(352)
Change in fair value of available for sale investments	(13)	265
Investments in public companies, end of the period	669	682

The gain on disposal of investments totalling $nil for the three-month period ended September 30, 2017 is included in general and administrative expenses ($266 for the three-month period ended September 30, 2016).

(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 balance were as follows for the periods :

	September 30 2017 (3 months)	September 30 2016 (3 months)
	$	$
Acquisition of property, plant and equipment	1,344	1,397
Proceed from disposal of property, plant and equipment	(322)	(51)
Gain on disposal of property, plant and equipment	(118)	(12)

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

8. LONG-TERM DEBT

	September 30 2017	June 30 2017
	$	$
Loan authorized for a maximum amount of $25 million, bearing interest at prime rate plus 2.00%, effective rate as at September 30, 2017 of 5.20%, maturing December 2017, secured by first rank hypothec on the universality of all present and future assets (a) (b) (c)	15,109	13,571
Loan authorized for an amount of $2.5 million, bearing interest at prime rate plus 4.50%, effective rate as at September 30, 2017 of 7.70%, payable in monthly instalments of $52 as from June 2017, maturing May 2021, secured by second rank hypothec on the universality of all present and future assets (b)	2,279	2,434
Finance leases, bearing interest between 3.30% and 9.80% (June 30, 2017: 3.30% and 9.80%), maturing December 2020	797	983
	18,185	16,988
Current portion	(16,378)	(14,903)
	1,807	2,085

(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%.

(b) An unamortized amount of $26 ($42 as at June 30, 2017), representing financing fees, has been netted against of the long-term debt. This amount is being amortized to earnings over the term of the debt, using the effective interest method.

(c) The Company provided a letter of credit to one of its subsidiaries's bank of US$1.0 million (or approximately CAN$1.3 million) from the credit facility. The purpose of the letter of credit is to provide performance bonds to secure drilling contracts with some of its customers.

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

8. LONG-TERM DEBT (continued)

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, 2017, the Company was compliant with its financial covenants (June 30, 2017: the Company was compliant with its financial covenants).

On November 2, 2017, the Company and the Lender entered into an amended and restated credit agreement that replaces the Credit Facility with a new three-year credit facility, consisting of a $30 million revolving credit facility, a US$3 million letter of credit facility and a US$3 million revolving credit facility.

As at September 30, 2017, the prime rate was 3,20% (2.70% as at June 30, 2017).

As at September 30, 2017, principal payments required in the next year are as follows:

	Loan	Finance lease	Total
	$	$	$
Within one year	15,747	644	16,391
Later than one year and not later than five years	1,667	153	1,820
	17,414	797	18,211

Minimum lease payments are as follows:

	Minimum lease payments	Present value of minimum lease payments	
		September 30 2017	June 30 2017
	$	$	$
Within one year	668	644	720
Later than one year and not later than five years	162	153	263
	830	797	983
Less: future finance charges	(33)	-	-
Present value of minimum lease payments	797	797	983

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

As at September 30, 2017	Total	Within one year	Later than one but not later than five years
	$	$	$
CAN	17,506	15,761	1,745
Chilean Pesos (CLP349,410,180)	679	617	62
	18,185	16,378	1,807

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

9. CAPITAL MANAGEMENT

The Company includes share capital, equity settled reserve, retained earnings, long-term debt and finance leases and bank overdraft net of cash in its definition of capital.

The Company's capital structure is as follows:

	September 30 2017	June 30 2017
	$	$
Long-term debt and finance leases	18,185	16,988
Share capital	57,131	57,130
Equity settled reserve	1,072	1,178
Retained earnings	17,754	15,907
Cash	(1,598)	(1,601)
	92,544	89,602

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 September 30, 2017, as mentioned in Note 8, the Company complied with its covenants (June 30, 2017: 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.

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 must be adopted before their issuance by a resolution of the Board of Directors of the Company.

	Three-month period ended September 30, 2017		Year ended June 30, 2017	
	Number of shares	$	Number of shares	$
Balance, beginning of the period	36,094,919	57,130	35,101,419	55,688
Shares issued:				
For share options exercised [(a)]	1,200	1	993,500	1,442
Balance, end of the year	36,096,119	57,131	36,094,919	57,130

[(a)] On February 28, 2017, the Company issued 942,000 common shares to the President and Chief Executive Officer in connection with the exercise of its options.

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

10. SHARE CAPITAL (continued)

Net earnings (loss) per share

Diluted net earnings (loss) per common share was calculated based on net loss divided by the average number of common shares outstanding using the treasury shares method. For 2016, shares options are not included in the computation of diluted net earnings (loss) per share as their inclusion would be anti-dilutive.

Net earnings (loss) per share - basic	September 30 2017 (3 months)		September 30 2016 (3 months)	
Net earnings (loss) attributable to common shareholders	1,684	$	(247)	$
Weighted average basic number of common shares outstanding	36,095,076		35,101,419	
Net earnings (loss) per share - basic	0.05	$	(0.01)	$

Net earnings (loss) per share - diluted	September 30 2017 (3 months)		September 30 2016 (3 months)	
Net earnings (loss) attributable to common shareholders	1,684	$	(247)	$
Weighted average basic number of common shares outstanding	36,095,076		35,101,419	
Adjustment to average number of common shares - share options	725,905		-	
Weighted average diluted number of common shares outstanding	36,820,981		35,101,419	
Net earnings (loss) per share - diluted	0.05	$	(0.01)	$

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

	September 30, 2017 (3 months)		September 30, 2016 (3 months)	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Outstanding at the beginning of the period	2,336,500	1.35	2,877,500	1.16
Exercised during the period	(1,200)	0.70	-	-
Cancelled during the period	(103,800)	1.57	-	-
Outstanding at end of the period	2,231,500	1.34	2,877,500	1.16
Exercisable at end of the period	831,200	1.53	1,561,000	1.27

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

10. SHARE CAPITAL (continued)

The following table summarizes information on share options outstanding at September 30, 2017:

Range of exercise price $	Outstanding at September 30, 2017	Weighted average remaining life (years)	Weighted average exercise price $	Exercisable at September 30, 2017	Weighted average exercise price $
0.50 - 1.49	1,326,500	4.38	0.87	491,700	0.95
1.50 - 2.49	887,500	4.34	2.00	322,000	2.28
3.50 - 4.49	17,500	0.93	4.00	17,500	4.00
	2,231,500			831,200	

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:

	September 30 2017 (3 months)	September 30 2016 (3 months)
	$	$
Expense related to share-based compensation	58	50

11. INCOME TAXES

The tax rates prescribed by the applicable laws were at 26.85% in 2017 and at 26.90% in 2016.

	September 30 2017 (3 months)	September 30 2016 (3 months)
	$	$
Earnings (loss) before income taxes	2,573	(551)
Statutory rates	26.85%	26.90%
Income taxes (recovery) based on statutory rates	691	(148)
Increase (decrease) of income taxes due to the following:		
Non-deductible expenses and other	54	8
Non-deductible share-based compensation expense	16	13
Non taxable portion of capital gain	-	(39)
Impact of foreign tax rate differences	(12)	(19)
Prior year adjustments	-	(445)
Utilization of unrecognized tax losses	(37)	-
Income tax assets unrecognized	177	326
Total income taxes recovery	889	(304)

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

12. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

Changes in non-cash operating working capital items:

	September 30 2017 (3 months)	September 30 2016 (3 months)
	$	$
Trade and other receivables	(9,561)	(681)
Inventories	(3,274)	(3,566)
Prepaid expenses	65	(119)
Trade and other payables	7,523	3,171
	(5,247)	(1,195)

13. COMMITMENTS AND GUARANTEES

Commitments

The Company has entered into operating lease agreements expiring in 2020 which call for lease payments of $156 for the rental of vehicles. The Company has also entered into lease agreements for offices expiring in 2022 for minimum lease payments of $1,207. None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions. The minimum lease payments under these lease agreements for the next five years are detailed as follows:

	$
2018	313
2019	387
2020	374
2021	237
2022	52

Guarantees

For the three-month period ended September 30, 2017, the Company issued some bank guarantees in favor of customers for a total amount of $2,691, maturing in February 2018. For the three-month period ended September 30, 2017, the Company has not made any payments in connection with these guarantees.

The Company provided a $US 1.0 millions letter of credit one of its subsidiaries's bank (or approximately CAN$1.3 million) from the credit facility. The purpose of the letter of credit is to provide performance bonds to secure drilling contracts with some of its customers. As at September 30, 2017, the subsidiary did not use this garantee to secure drilling contracts.

14. RELATED PARTY TRANSACTIONS

Transactions with related parties

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

On February 28, 2017, the Company granted a loan maturing not later than February 28, 2019, for the amount of $1,237 to the President and Chief Executive Officer in connection with the exercise of his options to purchase 942,000 shares. The loan bears interest at the rate of 4% annually and is secured by a pledge of shares and a guarantee from 6707550 Canada Inc.

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

14. RELATED PARTY TRANSACTIONS (continued)

Transactions with related parties (continued)

During the three-month periods ended September 30, 2017 and 2016, the Company entered into the following transactions with its related compagnies and with persons related to directors:

	September 30 2017 (3 months)	September 30 2016 (3 months)
	$	$
Revenues	124	6
Expenses	53	38

As at September 30, 2017, an amount of $119 was receivable resulting from these transactions ($nil as at June 30, 2017).

All of these related party transactions made in the normal course of business were measured at the exchange amount, which is the amount established and agreed to by the parties.

Key management personnel and directors' transactions

The definition of key management includes the close members of the family of key personnel and any entity over which key management exercices control. The key management personnel have been identified as directors of the Company and key management staff. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with the Company.

Compensation paid to key management personnel and directors for the three-month period ended September 30, 2017 amounted to $273 ($272 for the three-month period ended September 30, 2016).

15. 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, in XOF and in GHS cedi and is thus exposed to foreign exchange fluctuations. The Company does not actively manage this risk. As at September 30, 2017, the Company had cash in US dollars for an amount of US$331 (June 30, 2017, US$957) and accounts receivable in US dollars for an amount of US$1,492 (June 30, 2017, US$636). The Company has cash in Chilean Pesos for an amount of CLP267,174,559 (June 30, 2017, CLP207,424,327) and accounts receivable in Chilean Pesos for an amount of CLP1,540,032,080 (June 30, 2017, CLP1,471,946,677). The Company has cash in GHS cedi for an amount of 968,864 (June 30, 2017, 26,065) and accounts receivable in GHS cedi for an amount of 2,592,820 (June 30, 2017, 1,561,986). The Company has cash in XOF for an amount of 94,987,867 (June 30, 2017, 12,751,223) and accounts receivable in XOF for an amount of 168,002,241 (June 30, 2017, $nil).

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

15. FINANCIAL INSTRUMENTS (continued)

As at September 30, 2017, 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 (loss) and comprehensive earnings (loss) of $162 (June 30, 2017, $142), a 10% increase or decrease of the Chilean Pesos exchange rate would have caused a corresponding annual increase or decrease in net earnings (loss) and comprehensive earnings (loss) of $140 (June 30, 2017, $183), and a 10% increase or decrease of the GHS cedi exchange rate would have caused a corresponding annual increase or decrease in net earnings (loss) and comprehensive earnings (loss) of $72 (June 30, 2017, $29) and a 10% increase or decrease of the XOF exchange rate would not have caused a significant increase or decrease in net earnings (loss) and comprehensive earnings (loss).

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 accounts receivable. As at September 30, 2017, the amount of the insurance coverage from EDC represents 7% of the accounts receivable (5% as at June 30, 2017).

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.

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 2017 (3 months)	September 30 2016 (3 months)
	$	$
Balance at beginning of the period	1,229	1,074
Change in allowance, other than write-offs and recoveries	(3)	125
Balance at end of the period	1,226	1,199

As at September 30, 2017, 66% (June 30, 2017: 58%) of the trade and other receivables are aged as current and 4% are impaired (June 30, 2017: 5%).

Three major customers represent 36% of the trade accounts receivable as at September 30, 2017 (June 30, 2017, two major customers represent 25% of these accounts).

Two major customers represent 30% of the contract revenue for the three-month period ended September 30, 2017 (three-month period ended September 30, 2016, one major customer represents 27%).

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

15. FINANCIAL INSTRUMENTS (continued)

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 risk is limited for the loan receivable because it is secured by a pledge of Company's shares.

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, 2017, the Company has estimated that a 1% increase or decrease in interest rates would have caused a corresponding annual increase or decrease in net loss of $127 (June 30, 2017, $117).

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, trade and other receivables, trade and other payables 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.

The fair value of loan receivable approximates its carrying value as the interest rate was established based on market conditions and the interest rates on the market have not changed significantly since the loan was granted.

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, 2017, the investments are classified as a Level 1 financial instrument as the fair value is determined using quoted prices in the active markets.

There were no transfers of amounts between Level 1, Level 2 and Level 3 financial instruments for the three-months period ended September 30, 2017.

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

15. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk arises from the Company's management of working capital, the finance costs 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.

The Company 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 between 0.46% and 0.52%. As at September 30, 2017, trade receivables include $1,224 related to factored accounts ($705 as at June 30, 2017).

The following table presents the contractual cash flows for the financial liabilities based on their remaining contractual maturities:

				As at September 30, 2017
	Total	0 -1 year	2 - 3 years	4 - 5 years
	$	$	$	$
Trade and other payables	26,504	26,504	-	-
Factoring liabilities	1,224	1,224	-	-
Long-term debt	17,414	15,747	1,667	-
Finance lease	830	668	127	35
	45,972	44,143	1,794	35

16. 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.

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

16. SEGMENTED INFORMATION (continued)

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

	September 30 2017 (3 months)	September 30 2016 (3 months)
Contract revenue	$	$
Canada	32,172	25,481
International [1]	10,608	5,136
Inter-segment revenue	(305)	(109)
	42,475	30,508
Profit (loss) from operation		
Canada	3,648	899
International	276	(924)
	3,924	(25)
General and corporate expenses [2]	1,014	335
Finance costs	337	191
Income taxes (recovery)	889	(304)
	2,240	222
Net earnings (loss)	1,684	(247)

[1] International includes revenues of $8,000 and $3,800 for Chilean operations for the three-month periods ended September 30, 2017 and 2016 respectively.

[2] General and corporate expenses include expenses for corporate offices, share options and certain unallocated costs.

	September 30 2017 (3 months)	September 30 2016 (3 months)
Depreciation and amortization		
Canada	1,364	1,750
International	597	811
Unallocated and corporate assets	213	204
	2,174	2,765

	As at September 30, 2017	As at June 30, 2017
	$	$
Identifiable assets		
Canada	90,306	83,496
Chile	18,047	14,173
Other International	14,541	13,269
	122,894	110,938
Property, plant and equipment		
Canada	28,921	29,450
Chile	5,580	5,834
Other International	4,473	4,730
	38,974	40,014