FORAGE ORBIT GARANT DRILLING

Consolidated financial statements
Second quarter ended
December 31, 2010

ORBIT GARANT DRILLING INC.

Consolidated statement of earnings and comprehensive income

Periods ended
(Unaudited)

	December 31 2010 (3 months)	December 31 2009 (3 months)	December 31 2010 (6 months)	December 31 2009 (6 months)
	$	$	$	$
CONTRACT REVENUE	25,879,527	23,655,170	53,264,942	48,070,175
COST OF CONTRACT REVENUE	18,338,829	16,087,814	38,580,313	32,487,567
GROSS PROFIT	7,540,698	7,567,356	14,684,629	15,582,608
EXPENSES				
General and administrative	1,785,182	1,604,339	3,736,009	3,388,751
Amortization of property, plant and equipment	1,691,753	1,269,100	3,315,939	2,524,447
Amortization of intangible assets	224,137	1,124,137	581,607	2,248,274
Loss on sale of property, plant and equipment	-	13,329	-	13,329
Foreign exchange losses (gain)	(6,985)	11,090	25,643	49,041
Interest on long-term debt	18,286	43,975	36,069	90,223
Interest and bank charges	73,640	22,722	116,090	76,951
	3,786,013	4,088,692	7,811,357	8,391,016
EARNINGS BEFORE THE FOLLOWING ITEMS	3,754,685	3,478,664	6,873,272	7,191,592
SHARE IN NET EARNINGS OF A COMPANY SUBJECT TO SIGNIFICANT INFLUENCE	52,500	79,108	153,450	107,769
EARNINGS BEFORE INCOME TAXES	3,807,185	3,557,772	7,026,722	7,299,361
INCOME TAXES				
Current	1,159,670	1,488,844	2,218,497	3,050,553
Future	(52,147)	(334,440)	(140,610)	(659,909)
	1,107,523	1,154,404	2,077,887	2,390,644
NET EARNINGS AND COMPREHENSIVE INCOME	2,699,662	2,403,368	4,948,835	4,908,717
Earnings per share (Note 8)				
Basic	0.08	0.07	0.15	0.15
Diluted	0.08	0.07	0.15	0.15

See accompanying notes.

ORBIT GARANT DRILLING INC.
Consolidated statement of retained earnings and contributed surplus
Periods ended
(Unaudited)

	December 31 2010 (3 months)	December 31 2009 (3 months)	December 31 2010 (6 months)	December 31 2009 (6 months)
	$	$	$	$
STATEMENT OF RETAINED EARNINGS				
BALANCE, BEGINNING OF THE PERIOD	38,573,829	26,242,805	36,324,656	23,737,456
NET EARNINGS	2,699,662	2,403,368	4,948,835	4,908,717
BALANCE, END OF THE PERIOD	41,273,491	28,646,173	41,273,491	28,646,173
STATEMENT OF CONTRIBUTED SURPLUS				
BALANCE, BEGINNING OF THE PERIOD	1,491,831	979,771	1,368,606	899,336
STOCK-BASED COMPENSATION TO EMPLOYEES AND DIRECTORS (Note 8)	140,080	117,345	263,305	197,780
BALANCE, END OF THE PERIOD	1,631,911	1,097,116	1,631,911	1,097,116

See accompanying notes.

ORBIT GARANT DRILLING INC.
Consolidated balance sheet
(Unaudited)

	December 31 2010	June 30 2010
	$	$
ASSETS		
CURRENT ASSETS		
Cash	1,768,518	8,113,518
Accounts receivable	18,124,269	21,188,000
Inventories	28,374,880	22,708,282
Income taxes receivable	4,564,239	2,351,181
Prepaid expenses	554,715	460,516
	53,386,621	54,821,497
LONG-TERM INVESTMENTS	1,039,771	886,321
PROPERTY, PLANT AND EQUIPMENT	35,805,315	31,680,726
GOODWILL	25,566,439	19,697,965
INTANGIBLE ASSETS	791,956	1,373,563
	116,590,102	108,460,072
LIABILITIES		
CURRENT LIABILITIES		
Bank loan (Note 5)	1,400,000	-
Accounts payable and accrued liabilities	10,136,972	16,600,728
Client deposits	619,096	557,205
Accounts payable related to business acquisitions (Note 2)	515,085	-
Current portion of long-term debt (Note 6)	206,757	202,870
	12,877,910	17,360,803
LONG-TERM DEBT (Note 6)	6,229,178	172,401
FUTURE INCOME TAXES	1,197,678	1,335,445
	20,304,766	18,868,649
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	53,379,934	51,898,161
Contributed surplus	1,631,911	1,368,606
Retained earnings	41,273,491	36,324,656
	96,285,336	89,591,423
	116,590,102	108,460,072

APPROVED BY THE BOARD

(signed) Eric Alexandre, Director

(signed) Jean-Yves Laliberté, Director

See accompanying notes.

ORBIT GARANT DRILLING INC.

Consolidated statement of cash flows

Periods ended

(Unaudited)

	December 31 2010 (3 months)	December 31 2009 (3 months)	December 31 2010 (6 months)	December 31 2009 (6 months)
	$	$	$	$
OPERATING ACTIVITIES				
Net earnings	2,699,662	2,403,368	4,948,835	4,908,717
Items not affecting cash:				
Amortization of property, plant and equipment	1,691,753	1,269,100	3,315,939	2,524,447
Amortization of intangible assets	224,137	1,124,137	581,607	2,248,274
Loss on disposal of property, plant and equipment	28,743	13,329	85,679	13,329
Stock-based compensation	140,080	117,345	263,305	197,780
Amortization of financing costs	17,487	17,487	34,974	34,974
Future income taxes	(52,147)	(334,440)	(140,610)	(659,909)
Share in net earnings of a company subject to significant influence less dividends	(52,500)	(79,108)	(153,450)	(107,769)
	4,697,215	4,531,218	8,936,279	9,159,843
Changes in non-cash operating working capital items (Note 9)	(3,811,171)	4,374,249	(10,208,728)	5,019,745
	886,044	8,905,467	(1,272,449)	14,179,588
INVESTING ACTIVITIES				
Business acquisitions (including cash of $15,416) (Note 2)	(6,234,294)	-	(6,234,294)	-
Acquisition of property, plant and equipment	(4,091,197)	(2,335,221)	(6,761,836)	(4,038,347)
Proceeds from disposal of property, plant and equipment	398,051	-	497,889	-
	(9,927,440)	(2,335,221)	(12,498,241)	(4,038,347)
FINANCING ACTIVITIES				
Bank loan	1,400,000	-	1,400,000	-
Proceeds from long-term debt	6,100,000	165,282	6,169,782	342,364
Repayment of long-term debt	(75,944)	(41,079)	(144,092)	(7,458,692)
	7,424,056	124,203	7,425,690	(7,116,328)
INCREASE (DECREASE) IN CASH	(1,617,340)	6,694,449	(6,345,000)	3,024,913
CASH, BEGINNING OF THE PERIOD	3,385,858	6,888,230	8,113,518	10,557,766
CASH, END OF THE PERIOD	1,768,518	13,582,679	1,768,518	13,582,679

Additional information (Note 9)

See accompanying notes.

1. BASIS OF PRESENTATION

These interim consolidated financial statements were prepared using accounting policies and methods consistent with those used in the preparation of the company's audited consolidated financial statements for the year ended June 30, 2010. These financial statements do not contain all disclosures required by Canadian generally accepted accounting principles for annual financial statements and, accordingly, the financial statements should be read in conjunction with the most recently prepared annual consolidated financial statements for the year ended June 30, 2010.

2. BUSINESS ACQUISITIONS

Acquisition of 1085820 Ontario Limited (Advantage Control Technologies):

On November 8, 2010, the company acquired all issued and outstanding shares of 1085820 Ontario Limited (specialized in the development of new technologies for mineral drilling in Canada) for a total net consideration of $3,585,481 (excluding acquisition costs) payable for a cash consideration of $2,935,000 and $650,481 through the issuance of 132,743 common shares of the company. Furthermore, the company will pay an estimated cash consideration of $528,232 as compensation of the net working capital of the company on the acquisition date and an estimated amount of $131,390 for acquisition costs. The account payable as compensation of the net working capital does not bear interest and will be paid ten days after the deliverance of the financial statements of 1085820 Ontario Limited. An estimated amount of $3,141,923 has been accounted for as goodwill and management will finalize the purchase price allocation in order to determine the amount to be accounted for as goodwill and intangible assets.

Further to this transaction, the company has also acquired some equipment related to this business for an amount of $375,000 payable in cash.

The purchase price of 1085820 Ontario Limited is subject to an adjustment of an amount up to $2,400,000 calculated on the achievement of specified earnings levels over the periods ended November 8, 2011, 2012 and 2013. When the specified earnings are achieved, a payable amount will be accounted for as an increase of goodwill of intangible assets.

Acquisition of Morris Drilling Inc.:

On December 13, 2010, the company acquired all issued and outstanding shares of Morris Drilling Inc. (doing a surface diamond drilling business in Canada) for a total net consideration of $3,456,292 (excluding acquisition costs) payable for a cash consideration of $2,625,000 and $831,292 through the issuance of 173,010 common shares of the company. Furthermore, the company will receive an estimated cash consideration of $13,147 as compensation of the net working capital of the company on the acquisition date and will pay an estimated amount of $183,320 for acquisition costs. The account receivable as compensation of the net working capital does not bear interest and will be received ten days after the deliverance of the financial statements of Morris Drilling Inc.. An estimated amount of $2,726,551 has been accounted for as goodwill and management will finalize the purchase price allocation in order to determine the amount to be accounted for as goodwill and intangible assets.

The results of operations of 1085820 Ontario Limited and Morris Drilling Inc. are included in the consolidated financial statements from November 8, 2010 and December 13, 2010, respectively.

2. BUSINESS ACQUISITIONS (continued)

The estimated purchase price of these above transactions were allocated to the net assets acquired on the basis of their estimated fair values as follows:

	Total
	$
Cash	15,416
Current assets	2,348,310
Property, plan and equipments	1,262,260
Goodwill	5,868,474
Current liabilities	(1,245,049)
Future income taxes	(2,843)
Estimated purchase price	8,246,568
Estimated consideration	
Cash (including acquisition costs of $314,710)	6,249,710
Issuance of common shares	1,481,773
Account payable related to net working capital adjustment	515,085
	8,246,568

3. FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards

The Accounting Standards Board of Canada ("AcSB") will make the transition from Canadian GAAP for publicly accountable enterprises to International Financial Reporting Standards ("IFRS") over a transition period that will end effective January 1, 2011 with the adoption of IFRS. In October 2009, the AsSB reconfirmed that IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will convert to these new standards according to the timetable set with these new rules for the year beginning on July 1, 2011.

The Company is currently in the process of developing a conversion and implementation plan and assessing the impacts of the conversion on the consolidated financial statements and disclosures of the Company.

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued the following new Handbook sections: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests which replace Section 1581, Business Combinations and Section 1600, Consolidated Financial Statements. These new Sections will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2011. Early adoption is permitted to the extent the three new Sections are adopted simultaneously. Together, the new Sections establish standards for the accounting for a business combination, the preparation of consolidated financial statements and the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company does not expect that the adoption of these new Sections will have a material impact on its consolidated financial statements.

4. INVENTORY

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

	December 31 2010 (3 months)	December 31 2009 (3 months)	December 31 2010 (6 months)	December 31 2009 (6 months)
	$	$	$	$
	4,584,832	5,410,975	10,252,729	10,263,838

The company's credit facilities related to operations is in part secured by a general assignment of the company's inventory.

5. BANK LOAN

The company has an authorized line of credit for an amount of $7,000,000 bearing interest at prime rate based on the calculation of quarterly financial ratio and can vary from prime rate plus 0.42% to 1.42%, that was renewable on November 30, 2010. The company obtained an extension until May 31, 2011, as it is in the process of finalizing a new credit facility agreement. Any funds advanced pursuant to this line of credit are secured by a first rank hypothec on the universality of all present and future assets. On December 31, 2010, the prime rate was 3% (June 30, 2010, 2.50%).

Under the terms of the bank loan agreement, the company must satisfy certain restrictive covenants as to minimum financial ratios (see Note 7).

6. LONG-TERM DEBT

	December 31 2010	June 30 2010
	$	$
Loan authorized for a maximum amount of $12,857,140, quarterly reduced by principal amount of $714,286, bearing interest at prime rate plus 0.42% maturing June 2012, secured by first rank hypothec on the universality of all present and future assets. The company shall quarterly repay the amount in excess of the authorized amounts as so reduced on such date (a)	6,100,000	-
Loans, bearing interest at rates ranging from 0% to 1%, payable in monthly instalments of $18,925, maturing in August 2013, secured by certain vehicles of a net book value of $586,714	335,935	375,271
	6,435,935	375,271
Current portion	(206,757)	(202,870)
	6,229,178	172,401

The company has an authorized loan for a maximum amount of $3,000,000, quarterly reduced by principal amount of $300,000, bearing interest at prime rate plus 0.42% maturing June 2012, secured by first rank hypothec on the universality of all present and future assets. The company shall quarterly repay the amount in excess of the authorized amounts as so reduced on such date. (a)

(a) The rate is variable based on the quarterly calculation of a financial ratio and can vary from prime rate plus 0.42% to 1.42%.

Under the terms of the long-term debt agreement, the company must satisfy certain restrictive covenants as to minimum financial ratios (see Note 7).

On December 31, 2010, the prime rate was 3% (June 30, 2010, 2.50%).

6. LONG-TERM DEBT (continued)

Principal payments required in each of the next three periods of twelve months are as follows:

	$
2011	206,757
2012	6,213,671
2013	15,507

7. CAPITAL MANAGEMENT

The company includes shareholders' equity (excluding accumulated other comprehensive loss), long-term debt, bank loan and bank overdraft net of cash in the definition of capital.

Total managed capital was as follows:

	December 31 2010	June 30 2010
	$	$
Bank loan	1,400,000	-
Long-term debt	6,435,935	375,271
Share capital	53,379,934	51,898,161
Contributed surplus	1,631,911	1,368,606
Retained earnings	41,273,491	36,324,656
Cash	(1,768,518)	(8,113,518)
	102,352,753	81,853,176

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. During the period, 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 period.

8. SHARE CAPITAL

Authorized, an unlimited number of common and preferred shares:

Common shares, participating and voting

Preferred shares, rights' privileges, restrictions and conditions shall be provided before their issuance by a resolution of the board of directors of the company

Common shares issued:

	Six months period ended December 31, 2010		Year ended June 30, 2010	
	Number of shares	$	Number of shares	$
Balance, beginning of the period	32,738,684	51,918,161	32,738,684	51,918,161
Shares issued:				
For business acquisitions (a)	305,753	1,481,773	-	-
	33,044,437	53,399,934	32,738,684	51,918,161
Share purchase financing (b)	-	(20,000)	-	(20,000)
Balance, end of the period	33,044,437	53,379,934	32,738,684	51,898,161

(a) Issuance during the exercice:

On November 8, 2010, the company issued 132,743 common shares for an amount of $650,481 as part of the consideration for the acquisition of 1085820 Ontario Limited. Also, on December 13, 2010, the company issued 173,010 common shares for an amount of $831,292 as a part of the consideration for the acquisition of Morris Drilling Inc. (see Note 2).

(b) Share purchase financing:

On August 20, 2007, 13,333 common shares were issued to an employee of the company at $1.50 per common share under the company's share purchase plan. The company granted a five-year loan in the amount of $20,000 to this employee pursuant to the terms and conditions set out in a promissory note secured by 13,333 common shares. The loan is repayable at the earlier of (i) the date the shares were sold or, (ii) at the maturity date of the loan. Interest on the principal of the loan is calculated and compounded annually at a rate of 8%. As at December 31, 2010, the fair value of the securities is $82,665 .

8. SHARE CAPITAL (continued)

Earnings per share

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

	December 31 2010 (3 months)	December 31 2009 (3 months)	December 31 2010 (6 months)	December 31 2009 (6 months)
Earnings per share - basic	$	$	$	$
Net earnings available to common shareholders	2,699,662	2,403,368	4,948,835	4,908,717
Average basic number of common shares outstanding	32,849,005	32,738,684	32,793,845	32,738,684
Earnings per share - basic	0.08	0.07	0.15	0.15

	December 31 2010 (3 months)	December 31 2009 (3 months)	December 31 2010 (6 months)	December 31 2009 (6 months)
Earnings per share - diluted	$	$	$	$
Net earnings available to common shareholders	2,699,662	2,403,368	4,948,835	4,908,717
Average basic number of common shares outstanding	32,849,005	32,738,684	32,793,845	32,738,684
Adjustment to average number of common shares - stock options	897,298	737,743	816,454	650,050
Average diluted number of common shares outstanding	33,746,303	33,476,427	33,610,299	33,388,734
Earnings per share - diluted	0.08	0.07	0.15	0.15

925,000 options outstanding as at December 31, 2009 were not included in the calculation of the earnings per share diluted because they are antidilutive.

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

	Number of options	Weighted average exercise price
		$
Outstanding as at June 30, 2010	1,973,000	2.42
Granted during the period	290,000	5.65
Outstanding as of December 31, 2010	2,263,000	2.83
Exercisable as at December 31, 2010	1,358,000	1.70

8. SHARE CAPITAL (continued)

The following table summarized information on stock options outstanding at December 31, 2010:

Range of exercice prices $	Outstanding at December 31, 2010	Weighted average remaining life (years)	Weighted average exercice price $	Exercisable at December 31, 2010	Weighted average exercice price $
1.00 - 1.50	1,048,000	6.12	1.02	1,048,000	1.02
4.00	925,000	7.94	4.00	310,000	4.00
5.65	290,000	6.87		-	
	2,263,000			1,358,000	

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

December 31 2010 (3 months) $	December 31 2009 (3 months) $	December 31 2010 (6 months) $	December 31 2009 (6 months) $
140,080	117,345	263,305	197,780

On November 10, 2010, 290,000 stock options have been granted to employees and directors giving the option to purchase a common share for an exercice price of $5.65 per share which represents the fair value of a common share at the date of the grant. These options have a life of 7 years and will vest at a rate of 20% per annum commencing 12 months after the date of the grant.

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

	Granted in 2010
Risk-free interest rate	1.84%
Expected life (years)	5
Expected volatility	68.88%
Expected dividend yield	0%
Fair value of options granted per option	$3.17

9. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

Changes in non-cash operating working capital items

	December 31 2010 (3 months)	December 31 2009 (3 months)	December 31 2010 (6 months)	December 31 2009 (6 months)
	$	$	$	$
Accounts receivable	5,467,653	5,816,011	4,526,121	9,885,844
Inventories	(3,428,959)	(312,779)	(4,781,588)	(555,006)
Income taxes receivable	(1,319,952)	-	(2,290,559)	-
Prepaid expenses	(184,083)	(25,019)	(93,289)	4,634
Accounts payable and accrued liabilities	(4,338,156)	(858,474)	(7,617,013)	(854,980)
Client deposits	(7,674)	219,610	47,600	146,360
Income taxes payable	-	(465,100)	-	(3,607,107)
	(3,811,171)	4,374,249	(10,208,728)	5,019,745

Other information

Interest paid	91,926	66,697	152,159	167,174
Income taxes paid	2,402,121	1,953,953	4,431,555	6,657,660

10. COMMITMENTS

The company has entered into lease agreements expiring 2013 which call for lease payments of $95,380 for the rental of vehicules. The company has also entered into lease agreements expiring 2020 for minimum lease payments of $1,750,568. The minimum lease payments under lease agreements for the next five years are detailed as follows:

	$
2011	216,852
2012	213,692
2013	199,055
2014	178,073
2015	178,073

11. 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 periods, 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 December 31, 2010, the company has cash in US dollars for an amount of $527,775 (June 30, 2010, $227,670) and accounts receivable in US dollars for an amount of $335,301 (June 30, 2010, $515,626).

As at December 31, 2010, the company has estimated that a ten percent increase or decrease of the US exchange rate would have caused a corresponding annual increase or decrease in net earnings of approximately $35,800 (December 31, 2009, $51,320).

11. FINANCIAL INSTRUMENTS (continued)

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 December 31, 2010, the amount of the insurance coverage from EDC represents approximately 45% of the accounts receivable (June 30, 2010, 53%).

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.

As at December 31, 2010, 43.3% (June 30, 2010, 54.9%) of the trade accounts receivable are aged as current and 4.2% (June 30, 2010, 5%) of receivables are impaired.

One major customer represents 13.7% of the trade accounts receivable as at December 31, 2010 (June 30, 2010, one major customer represents 10% of the trade accounts receivable).

One major customer represents 12.6% of the contract revenue for the three month period ended December 31, 2010 (December 31, 2009, one major customer represents 10% of the contract revenue).

One major customer represents 11.7% of the contract revenue for the six month period ended December 31, 2010 (December 31, 2009, one major customer represents 10% of the contract revenue).

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 rating.

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 December 31, 2010, the company has estimated that a one percentage point increase or decrease in interest rates would have caused a corresponding annual increase or decrease in net earnings of approximately $45,600 (December 31, 2009, $24,940).

Fair value

The fair value of cash, accounts receivable, bank loan, accounts payable and accrued liabilities, client deposits and accounts payable related to business acquisitions 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 variable rate and has financing conditions similar to those currently available to the company.

11. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

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

The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Notes 5 and 6 are details of undrawn facilities that the company has at its disposal to further reduce liquidity risk.

	Total	0-1 year	2-3 years
	$	$	$
Bank loan	1,400,000	1,400,000	-
Client deposits	619,096	619,096	-
Accounts payable and accrued charges	10,136,972	10,136,972	-
Accounts payable related to business acquisition	515,085	515,085	-
Long-term debt (capital only)	6,435,935	206,757	6,229,178
	19,107,088	12,877,910	6,229,178

12. SEGMENTED INFORMATION

The company operates in three geographic segments, Drilling Canada, Drilling International (US, Central and South America) and Manufacturing Canada. The services provided in each of the reportable drilling segments are essentially the same. Management evaluates performance based on gross profit in these three geographic segments before interest, general corporate expenses and income taxes. Data relating to each of the company's reportable segments is presented as follows:

	December 31 2010 (3 months)	December 31 2009 (3 months)	December 31 2010 (6 months)	December 31 2009 (6 months)
	$	$	$	$
Contract revenue				
Drilling Canada	21,292,059	21,208,867	46,043,867	43,845,520
Drilling International	3,623,428	2,382,663	6,093,304	4,130,638
Manufacturing Canada	2,340,550	975,426	4,148,110	1,844,499
Elimination - Manufacturing Canada	(1,376,510)	(911,786)	(3,020,339)	(1,750,482)
	25,879,527	23,655,170	53,264,942	48,070,175
Gross profit				
Drilling Canada	5,305,269	6,969,169	10,978,317	14,265,117
Drilling International	1,972,830	544,500	3,336,241	1,245,040
Manufacturing Canada	262,599	53,687	370,071	72,451
	7,540,698	7,567,356	14,684,629	15,582,608
Interest	91,926	66,697	152,159	167,174
General corporate expenses	3,641,587	3,942,887	7,505,748	8,116,073
Income taxes	1,107,523	1,154,404	2,077,887	2,390,644
	4,841,036	5,163,988	9,735,794	10,673,891
Net earnings	2,699,662	2,403,368	4,948,835	4,908,717

12. SEGMENTED INFORMATION (continued)

	December 31 2010 (12 months)	December 31 2009 (12 months)	December 31 2010 (12 months)	December 31 2009 (12 months)
	$	$	$	$
Amortization				
Drilling and Manufacturing Canada	1,705,277	2,243,834	3,458,510	4,474,685
Drilling International	210,613	149,403	439,036	298,036
	1,915,890	2,393,237	3,897,546	4,772,721

	As at December 31, 2010	As at June 30, 2010
	$	$
Total asset		
Drilling and Manufacturing Canada	109,976,682	100,764,064
Drilling International	6,613,420	7,696,008
	116,590,102	108,460,072
Property, plant and equipment		
Drilling and Manufacturing Canada	32,449,931	28,209,911
Drilling International	3,355,384	3,470,815
	35,805,315	31,680,726

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.

14. SUBSEQUENT EVENT

On February 1, 2011, the company disposed of its investment in 6483976 Canada Inc. (Usinage X-SPEC), subject to significant influence, for a consideration of $898,000, plus an amount corresponding to 40% of the increase of retained earnings of 6483976 Canada Inc. during the period between February 1, 2010 and January 31, 2011. The consideration of $548,000 was received on February 1, 2011 and the balance will be received not later than September 2011.