FORAGE ORBIT GARANT DRILLING




Consolidated financial statements
Third quarter ended
March 31, 2011

ORBIT GARANT DRILLING INC.

Consolidated statement of earnings and comprehensive income

Periods ended
(Unaudited)

	March 31 2011 (3 months)	March 31 2010 (3 months)	March 31 2011 (9 months)	March 31 2010 (9 months)
	$	$	$	$
CONTRACT REVENUE	33,405,652	28,808,727	86,670,594	76,867,648
COST OF CONTRACT REVENUE	24,831,077	19,882,026	63,411,390	52,382,922
GROSS PROFIT	8,574,575	8,926,701	23,259,204	24,484,726
EXPENSES				
General and administrative	2,679,583	1,688,686	6,415,592	5,077,437
Amortization of property, plant and equipment	1,857,541	1,399,335	5,173,480	3,923,782
Amortization of intangible assets	423,528	1,062,368	1,005,135	3,310,642
Loss (gain) on sale of property, plant and equipment	1,534	(473,680)	1,534	(473,680)
Foreign exchange losses	27,633	15,727	53,276	64,768
Interest on long-term debt	105,519	38,199	141,588	128,422
Interest and bank charges	44,589	110,327	160,679	176,024
	5,139,927	3,840,962	12,951,284	12,207,395
EARNINGS BEFORE THE FOLLOWING ITEMS	3,434,648	5,085,739	10,307,920	12,277,331
Share in net earnings of a company subject to significant influence	71,414	202,540	224,864	310,309
Gain on long-term investments	126,355	-	126,355	-
	197,769	202,540	351,219	310,309
EARNINGS BEFORE INCOME TAXES	3,632,417	5,288,279	10,659,139	12,587,640
INCOME TAXES				
Current	1,258,765	2,339,587	3,477,262	5,390,140
Future	(73,653)	(771,881)	(214,263)	(1,431,790)
	1,185,112	1,567,706	3,262,999	3,958,350
NET EARNINGS AND COMPREHENSIVE INCOME	2,447,305	3,720,573	7,396,140	8,629,290
Earnings per share (Note 8)				
Basic	0.07	0.11	0.22	0.26
Diluted	0.07	0.11	0.22	0.26

See accompanying notes.

ORBIT GARANT DRILLING INC.

Consolidated statement of retained earnings and contributed surplus

Periods ended

(Unaudited)

	March 31 2011 (3 months)	March 31 2010 (3 months)	March 31 2011 (9 months)	March 31 2010 (9 months)
	$	$	$	$
STATEMENT OF RETAINED EARNINGS				
BALANCE, BEGINNING OF THE PERIOD	41,273,491	28,646,173	36,324,656	23,737,456
NET EARNINGS	2,447,305	3,720,573	7,396,140	8,629,290
BALANCE, END OF THE PERIOD	43,720,796	32,366,746	43,720,796	32,366,746
STATEMENT OF CONTRIBUTED SURPLUS				
BALANCE, BEGINNING OF THE PERIOD	1,631,911	1,097,116	1,368,606	899,336
STOCK-BASED COMPENSATION TO EMPLOYEES AND DIRECTORS (Note 8)	164,009	135,774	427,314	333,554
BALANCE, END OF THE PERIOD	1,795,920	1,232,890	1,795,920	1,232,890

See accompanying notes.

ORBIT GARANT DRILLING INC.
Consolidated balance sheet
(Unaudited)

	March 31 2011	June 30 2010
	$	$
ASSETS		
CURRENT ASSETS		
Cash	2,330,892	8,113,518
Accounts receivable	25,897,307	21,188,000
Accounts receivable related from disposal of long-term investments	701,057	-
Inventories	31,759,024	22,708,282
Income taxes receivable	3,990,556	2,351,181
Prepaid expenses	630,875	460,516
	65,309,711	54,821,497
LONG-TERM INVESTMENTS	-	886,321
PROPERTY, PLANT AND EQUIPMENT	40,295,198	31,680,726
GOODWILL	25,410,220	19,697,965
INTANGIBLE ASSETS	567,820	1,373,563
	131,582,949	108,460,072
LIABILITIES		
CURRENT LIABILITIES		
Bank loan (Note 5)	4,500,000	-
Accounts payable and accrued liabilities	19,326,032	16,600,728
Client deposits	841,773	557,205
Accounts payable related to business acquisitions (Note 2)	515,085	-
Current portion of long-term debt (Note 6)	187,236	202,870
	25,370,126	17,360,803
LONG-TERM DEBT (Note 6)	6,192,148	172,401
FUTURE INCOME TAXES	1,124,025	1,335,445
	32,686,299	18,868,649
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	53,379,934	51,898,161
Contributed surplus	1,795,920	1,368,606
Retained earnings	43,720,796	36,324,656
	98,896,650	89,591,423
	131,582,949	108,460,072

APPROVED BY THE BOARD

(signed) Eric Alexandre, Director

(signed) Jean-Yves Laliberté, Director

ORBIT GARANT DRILLING INC.

Consolidated statement of cash flows

Periods ended

(Unaudited)

	March 31 2011 (3 months)	March 31 2010 (3 months)	March 31 2011 (9 months)	March 31 2010 (9 months)
	$	$	$	$
OPERATING ACTIVITIES				
Net earnings	2,447,305	3,720,573	7,396,140	8,629,290
Items not affecting cash:				
Amortization of property, plant and equipment	1,857,541	1,399,335	5,173,480	3,923,782
Amortization of intangible assets	423,528	1,062,368	1,005,135	3,310,642
Loss (gain) on disposal of property, plant and equipment	72,987	(235,508)	158,666	(222,179)
Gain on long-term investments	(126,355)	-	(126,355)	-
Stock-based compensation	164,009	135,774	427,314	333,554
Amortization of financing costs	17,487	17,487	52,461	52,461
Future income taxes	(73,653)	(771,881)	(214,263)	(1,431,790)
Share in net earnings of a company subject to significant influence less dividends	(62,647)	(202,540)	(216,097)	(310,309)
	4,720,202	5,125,608	13,656,481	14,285,451
Changes in non-cash operating working capital items (Note 9)	(1,247,923)	(4,488,195)	(11,456,651)	531,550
	3,472,279	637,413	2,199,830	14,817,001
INVESTING ACTIVITIES				
Business acquisitions (including cash of $15,416) (Note 2)	(43,172)	-	(6,277,466)	-
Acquisition of property, plant and equipment	(6,445,906)	(3,736,547)	(13,207,742)	(7,774,894)
Proceeds from disposal of property, plant and equipment	25,495	1,059,250	523,384	1,059,250
Proceeds from long-term investments	527,716	-	527,716	-
	(5,935,867)	(2,677,297)	(18,434,108)	(6,715,644)
FINANCING ACTIVITIES				
Bank loan	3,100,000	-	4,500,000	-
Proceeds from long-term debt	-	-	6,169,782	342,364
Repayment of long-term debt	(74,038)	(50,591)	(218,130)	(7,509,283)
	3,025,962	(50,591)	10,451,652	(7,166,919)
INCREASE (DECREASE) IN CASH	562,374	(2,090,475)	(5,782,626)	934,438
CASH, BEGINNING OF THE PERIOD	1,768,518	13,582,679	8,113,518	10,557,766
CASH, END OF THE PERIOD	2,330,892	11,492,204	2,330,892	11,492,204

Additional information (Note 9)

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 $136,260 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 $3,146,793 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, intangible assets and future income taxes. During the quarter ended March 31, 2011, an amount of $64,391 has been accounted for as amortization of intangible assets which represents the management best estimation.

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 $221,622 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 $2,764,853 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, intangible assets and future income taxes. During the quarter ended March 31, 2011, an amount of $135,000 has been accounted for as amortization of intangible assets which represents the management best estimation.

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 and intangible assets	5,911,646
Current liabilities	(1,245,049)
Future income taxes	(2,843)
Estimated purchase price	8,289,740
Estimated consideration	
Cash (including acquisition costs of $357,882)	6,292,882
Issuance of common shares	1,481,773
Account payable related to net working capital adjustment	515,085
	8,289,740

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:

	March 31 2011 (3 months)	March 31 2010 (3 months)	March 31 2011 (9 months)	March 31 2010 (9 months)
	$	$	$	$
	7,273,250	6,988,256	17,525,980	17,148,164

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 March 31, 2011, 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

	March 31 2011	June 30 2010
	$	$
Loan authorized for a maximum amount of $12,142,854, 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 $568,754	279,384	375,271
	6,379,384	375,271
Current portion	(187,236)	(202,870)
	6,192,148	172,401

The company has an authorized loan for a maximum amount of $2,700,000, 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 March 31, 2011, 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:

	$
2012	187,236
2013	6,182,456
2014	9,692

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:

	March 31 2011	June 30 2010
	$	$
Bank loan	4,500,000	-
Long-term debt	6,379,384	375,271
Share capital	53,379,934	51,898,161
Contributed surplus	1,795,920	1,368,606
Retained earnings	43,720,796	36,324,656
Cash	(2,330,892)	(8,113,518)
	107,445,142	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:

	Nine month period ended March 31, 2011		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 March 31, 2011, the fair value of the securities is $71,332 .

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.

	March 31 2011 (3 months)	March 31 2010 (3 months)	March 31 2011 (9 months)	March 31 2010 (9 months)
Earnings per share - basic	$	$	$	$
Net earnings available to common shareholders	2,447,305	3,720,573	7,396,140	8,629,290
Weighted average basic number of common shares outstanding	33,044,437	32,738,684	32,876,156	32,738,684
Earnings per share - basic	0.07	0.11	0.22	0.26

	March 31 2011 (3 months)	March 31 2010 (3 months)	March 31 2011 (9 months)	March 31 2010 (9 months)
Earnings per share - diluted	$	$	$	$
Net earnings available to common shareholders	2,447,305	3,720,573	7,396,140	8,629,290
Weighted average basic number of common shares outstanding	33,044,437	32,738,684	32,876,156	32,738,684
Adjustment to average number of common shares - stock options	947,691	756,671	834,605	692,047
Weighted average diluted number of common shares outstanding	33,992,128	33,495,355	33,710,761	33,430,731
Earnings per share - diluted	0.07	0.11	0.22	0.26

The calculation of the diluted earnings per share diluted for the period ended March 31, 2011 excludes the effect of 365,000 options (925,000 in 2010) as 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	365,000	5.73
Outstanding as of March 31, 2011	2,338,000	2.93
Exercisable as at March 31, 2011	1,358,000	1.70

8. SHARE CAPITAL (continued)

The following table summarized information on stock options outstanding at March 31, 2011:

Range of exercice prices $	Outstanding at March 31, 2011	Weighted average remaining life (years)	Weighted average exercice price $	Exercisable at March 31, 2011	Weighted average exercice price $
1.00 - 1.50	1,048,000	5.84	1.02	1,048,000	1.02
4.00	925,000	7.65	4.00	310,000	4.00
5.65 - 6.02	365,000	6.63	5.73	-	
	2,338,000			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:

March 31 2011 (3 months) $	March 31 2010 (3 months) $	March 31 2011 (9 months) $	March 31 2010 (9 months) $
164,009	135,774	427,314	333,554

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.

On February 9, 2011, 75,000 stock options have been granted to a director giving the option to purchase a common share for an exercice price of $6.02 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 February 2011	Granted in November 2010
Risk-free interest rate	2.31%	1.84%
Expected life (years)	5	5
Expected volatility	67.96%	68.88%
Expected dividend yield	0%	0%
Fair value of options granted per option	$3.45	$3.17

9. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

Changes in non-cash operating working capital items

	March 31 2011 (3 months)	March 31 2010 (3 months)	March 31 2011 (9 months)	March 31 2010 (9 months)
	$	$	$	$
Accounts receivable	(7,773,038)	(6,320,732)	(3,246,917)	3,565,112
Inventories	(3,384,144)	(669,332)	(8,165,732)	(1,224,338)
Income taxes receivable	573,683	-	(1,716,876)	-
Prepaid expenses	(76,160)	(447,139)	(169,449)	(442,505)
Accounts payable and accrued liabilities	9,189,059	2,777,132	1,572,046	1,922,152
Client deposits	222,677	143,042	270,277	289,402
Income taxes payable	-	28,834	-	(3,578,273)
	(1,247,923)	(4,488,195)	(11,456,651)	531,550

Other information

Interest paid	150,108	148,526	302,267	304,446
Income taxes paid	685,085	2,019,076	5,116,637	8,968,413

10. COMMITMENTS

The company has entered into lease agreements expiring 2013 which call for lease payments of $85,686 for the rental of vehicules. The company has also entered into lease agreements expiring 2020 for minimum lease payments of $1,719,550. The minimum lease payments under lease agreements for the next five years are detailed as follows:

	$
2012	216,852
2013	210,533
2014	192,520
2015	178,073
2016	178,073

Furthermore, the company has entered into an agreement to purchase from a supplier, a total of $2,500,000 in products or drilling services, no later than January 31, 2013.

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 March 31, 2011, the company has cash in US dollars for an amount of $599,411 (June 30, 2010, $227,670) and accounts receivable in US dollars for an amount of $370,991 (June 30, 2010, $515,626).

11. FINANCIAL INSTRUMENTS (continued)

As at March 31, 2011, 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 $35,500 (March 31, 2010, $46,800).

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 March 31, 2011, the amount of the insurance coverage from EDC represents approximately 36% 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 March 31, 2011, 57.3% (June 30, 2010, 54.9%) of the trade accounts receivable are aged as current and 2.8% (June 30, 2010, 5%) of receivables are impaired.

One major customer represents 10.4% of the trade accounts receivable as at March 31, 2011 (June 30, 2010, one major customer represents 10% of the trade accounts receivable).

Two major customer represents 27% of the contract revenue for the three month period ended March 31, 2010, respectively by customer, 14% and 13%.

One major customer represents 10.7% of the contract revenue for the six month period ended March 31, 2011 (March 31, 2010, one major customer represents 11% 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 March 31, 2011, 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 $45,200 (March 31, 2010, $24,700).

Fair value

The fair value of cash, accounts receivable, accounts receivable related from disposal of long-term investments, 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	4,500,000	4,500,000	-
Client deposits	841,773	841,773	-
Accounts payable and accrued charges	19,326,032	19,326,032	-
Accounts payable related to business acquisition	515,085	515,085	-
Long-term debt (capital only)	6,379,384	187,236	6,192,148
	31,562,274	25,370,126	6,192,148

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:

	March 31 2011 (3 months)	March 31 2010 (3 months)	March 31 2011 (9 months)	March 31 2010 (9 months)
	$	$	$	$
Contract revenue				
Drilling Canada	26,738,694	26,839,500	72,782,560	70,673,765
Drilling International	5,633,992	1,969,227	11,727,296	6,099,866
Manufacturing Canada	3,585,929	3,440,894	7,734,039	5,285,393
Elimination - Manufacturing Canada	(2,552,963)	(3,440,894)	(5,573,301)	(5,191,376)
	33,405,652	28,808,727	86,670,594	76,867,648
Gross profit				
Drilling Canada	5,437,849	8,322,089	16,416,166	22,562,623
Drilling International	2,660,469	604,612	5,996,710	1,849,652
Manufacturing Canada	476,257	-	846,328	72,451
	8,574,575	8,926,701	23,259,204	24,484,726
Interest	150,108	148,526	302,267	304,446
General corporate expenses	4,792,050	3,489,896	12,297,798	11,592,640
Income taxes	1,185,112	1,567,706	3,262,999	3,958,350
	6,127,270	5,206,128	15,863,064	15,855,436
Net earnings	2,447,305	3,720,573	7,396,140	8,629,290

12. SEGMENTED INFORMATION (continued)

	March 31 2011 (3 months)	March 31 2010 (3 months)	March 31 2011 (9 months)	March 31 2010 (9 months)
	$	$	$	$
Amortization				
Drilling and Manufacturing Canada	2,035,831	2,296,888	5,494,341	6,771,573
Drilling International	245,238	164,815	684,274	462,851
	2,281,069	2,461,703	6,178,615	7,234,424

	As at March 31, 2011	As at June 30, 2010
	$	$
Total asset		
Drilling and Manufacturing Canada	124,708,794	100,764,064
Drilling International	6,874,155	7,696,008
	131,582,949	108,460,072
Property, plant and equipment		
Drilling and Manufacturing Canada	36,836,573	28,209,911
Drilling International	3,458,625	3,470,815
	40,295,198	31,680,726

13. COMPARATIVE FIGURES

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