Unaudited Interim Condensed Consolidated Financial Statements

Third Quarter Fiscal 2013

(Three and nine-month periods ended March 31, 2013)

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

ORBIT GARANT DRILLING INC.

Interim condensed consolidated statements of earnings

For the three and nine-month periods ended March 31, 2013 and 2012
(in thousands of Canadian dollars, except for earnings per share)
(Unaudited)

	Notes	March 31 2013 (3 months)	March 31 2012 (3 months)	March 31 2013 (9 months)	March 31 2012 (9 months)
		$	$	$	$
Contract revenue	14	23,714	41,744	82,809	111,284
Cost of contract revenue	5	20,280	31,760	69,579	85,326
Gross profit		3,434	9,984	13,230	25,958
Expenses					
General and administrative expenses	2, 5	3,800	4,609	10,548	12,009
Other expenses (revenues)	5	(9)	71	33	124
Finance costs	5	315	413	959	981
		4,106	5,093	11,540	13,114
Earnings (loss) before income taxes		(672)	4,891	1,690	12,844
Income taxes	10				
Current		25	1,418	929	3,937
Deferred		(73)	30	(339)	(36)
		(48)	1,448	590	3,901
Net earnings (loss) attributable to shareholders		(624)	3,443	1,100	8,943
Earnings (loss) per share attributable to shareholders	9				
Basic		(0.02)	0.10	0.03	0.27
Diluted		(0.02)	0.10	0.03	0.26

See accompanying notes to interim condensed consolidated financial statements.

ORBIT GARANT DRILLING INC.

Interim condensed consolidated statements of comprehensive earnings

For the three and nine-month periods ended March 31, 2013 and 2012
(in thousands of Canadian dollars)
(Unaudited)

	March 31 2013 (3 months)	March 31 2012 (3 months)	March 31 2013 (9 months)	March 31 2012 (9 months)
	$	$	$	$
Net earnings (loss)	(624)	3,443	1,100	8,943
Other comprehensive earnings - Items that may be reclassified subsequently to net earnings				
Unrealized losses on foreign currency translation	-	-	-	(43)
Reclassification to net earnings	-	-	-	43
Comprehensive earnings (loss) attributable to shareholders	(624)	3,443	1,100	8,943

See accompanying notes to interim condensed consolidated financial statements.

ORBIT GARANT DRILLING INC.

Interim condensed consolidated statements of changes in equity

For the nine-month periods ended March 31, 2013 and 2012

(in thousands of Canadian dollars)

(Unaudited)

Nine-month period ended March 31, 2012

	Share capital	Equity settled reserve	Retained Earnings	Total Shareholders' Equity
	$	$	$	$
	(note 9)	(note 9)		
Balance as of June 30, 2011	53,386	2,520	47,437	103,343
Net earnings	-	-	8,943	8,943
Issuance of shares	989	-	-	989
Issuance of shares related to business acquisitions	16	-	-	16
Share-based compensation	-	753	-	753
Fair value of stock option exercised	-	(5)	-	(5)
Balance as of March 31, 2012	54,391	3,268	56,380	114,039

Nine-month period ended March 31, 2013

	Share capital	Equity settled reserve	Retained Earnings	Total Shareholders' Equity
	$	$	$	$
	(note 9)	(note 9)		
Balance as of June 30, 2012	54,411	3,524	57,797	115,732
Net earnings	-	-	1,100	1,100
Share-based compensation	-	722	-	722
Balance as of March 31, 2013	54,411	4,246	58,897	117,554

See accompanying notes to interim condensed consolidated financial statements.

ORBIT GARANT DRILLING INC.

Interim condensed consolidated balance sheets

As of March 31, 2013 and June 30, 2012
(in thousands of Canadian dollars)
(Unaudited)

	Notes	March 31 2013	June 30 2012
		$	$
ASSETS			
Current assets			
Cash		2,686	1,959
Accounts receivable	13	21,335	35,765
Inventories		40,509	42,036
Income taxes receivable		3,063	1,503
Prepaid expenses		1,336	1,165
		68,929	82,428
Non-current assets			
Property, plant and equipment	6	55,851	55,880
Goodwill		26,771	26,771
Intangible assets		3,651	5,072
Total assets		155,202	170,151
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		11,521	20,206
Contingent considerations	2, 13	1,922	1,564
Current portion of long-term debt	7	351	401
		13,794	22,171
Non-current liabilities			
Contingent considerations	2, 13	1,410	2,792
Long-term debt	7	19,298	25,971
Deferred tax liabilities		3,146	3,485
		37,648	54,419
EQUITY			
Share capital	9	54,411	54,411
Equity settled reserve	9	4,246	3,524
Retained earnings		58,897	57,797
Equity attributable to shareholders		117,554	115,732
Total liabilities and equity		155,202	170,151

APPROVED BY THE BOARD

(signed) Eric Alexandre, Director

(signed) Jean-Yves Laliberté, Director

ORBIT GARANT DRILLING INC.
Interim condensed consolidated statements of cash flows
For the three and nine-month periods ended March 31, 2013 and 2012
(in thousands of Canadian dollars)
(Unaudited)

	Notes	March 31 2013 (3 months)	March 31 2012 (3 months)	March 31 2013 (9 months)	March 31 2012 (9 months)
		$	$	$	$
OPERATING ACTIVITIES					
Earnings (loss) before income taxes		(672)	4,891	1,690	12,844
Items not affecting cash:					
Amortization of property, plant and equipment	5	2,799	2,478	8,217	6,854
Amortization of intangible assets	5	473	475	1,421	1,591
Gain on disposal of property, plant and equipment	6	(210)	(12)	(165)	(333)
Share-based compensation	9	236	255	722	753
Finance costs		262	363	783	854
Reversal of contingent considerations	2, 13	-	-	(800)	-
Change in fair value of contingent considerations	13	53	50	176	127
		2,941	8,500	12,044	22,690
Changes in non-cash operating working capital items	11	(2,835)	(3,978)	6,701	(9,999)
Income taxes paid		316	79	(2,489)	(2,767)
Finance costs paid		(241)	(342)	(720)	(790)
		181	4,259	15,536	9,134
INVESTING ACTIVITIES					
Business acquisitions of Lantech Drilling Services Inc., including bank overdraft	2	-	-	-	(5,445)
Acquisition of property, plant and equipment	6	(1,205)	(3,194)	(8,372)	(14,834)
Proceeds from disposal of property, plant and equipment	6	269	127	345	1,174
		(936)	(3,067)	(8,027)	(19,105)
FINANCING ACTIVITIES					
Proceeds from issuance of shares		-	-	-	11
Proceeds from long-term debt		15,500	20,500	52,255	61,425
Repayment of long-term debt		(13,891)	(21,154)	(59,041)	(49,442)
		1,609	(654)	(6,786)	11,994
Effect of exchange rate changes		(7)	8	4	18
Increase in cash		847	546	727	2,041
Cash (bank overdraft), beginning of the period		1,839	797	1,959	(698)
Cash, end of the period		2,686	1,343	2,686	1,343

Additional information 11

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

1. DESCRIPTION OF BUSINESS

Orbit Garant Drilling Inc. (the «Company»), amalgamated under the Canada Business Company Act, mainly operates a surface and underground diamond drilling business. The Company has operations in Canada, United States, Central and South America and West Africa.

The Company's head office located at 3200, boul. Jean-Jacques Cossette, Val-d'Or (Québec), Canada. The Company holds interests in several entities, including the percentage of voting rights in its principal subsidiaries as follows:

	% of voting rights
Services de forage Orbit Garant Inc.	100%
9116-9300 Québec inc.	100%
Orbit Garant Ontario Inc.	100%
Drift Exploration Drilling Inc.	100%
Drift de Mexico SA de CV	100%
Lantech Drilling Services Inc.	100%
Lantech Liberia Limited	100%

2. BUSINESS ACQUISITIONS

Acquisition of Lantech Drilling Services Inc.:

The purchase price of Lantech Drilling Services Inc. is subject to an adjustment of an amount up to $2,400 calculated on the achievement of specified earnings levels over the years ending December 15, 2012, 2013 and 2014. This contingent consideration has been evaluated at fair value at the acquisition date. As at December 31, 2012, an estimated amount of $400 was accounted to accounts payable and accrued liabilities for the payable related to the contingent consideration due for the first year.

Acquisition of 1085820 Ontario Limited (Advantage Control Technologies):

The purchase price of 1085820 Ontario Limited is subject to an adjustment of an amount up to $2,400 calculated on the achievement of specified earning levels over the years ended November 8, 2012, 2013 and 2014. This contingent consideration has been evaluated at fair value at the acquisition date.

As at November 8, 2012, the Company 1085820 Ontario Limited did not meet its earning targets under the contingent consideration, and therefore the obligation to pay the first $800 of the consideration payable on November 8, 2012 became void.

In accordance with the recommendations of IFRS 3, the Company has therefore reversed the accrued contingent consideration of its current liabilities for the amount of $800 due November 8, 2012 as a reduction of the general and administrative expenses.

3. BASIS OF PRESENTATION

Basis of presentation

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* («IAS 34»). The IFRS accounting policies that are set out in the Company's consolidated financial statements for the year ended June 30, 2012 were consistently applied to all periods presented. Please refer to Note 3 in the Company's consolidated financial statements for the year ended June 30, 2012 for a complete description of the Company's significant accounting policies. These interim condensed consolidated financial statements have not been subject to a review engagement by the Company's external auditors.

The preparation of financial statements in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant, are disclosed in Note 4 in the Company's consolidated financial statements for the year ended June 30, 2012 and remained unchanged for the three-month and nine-month periods ended March 31, 2013.

These interim condensed consolidated financial statements were approved for issue by the Board of Directors of Orbit Garant Drilling Inc. on May 14, 2013.

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except for the contingent considerations, which have been measured at fair value and are presented in Canadian dollars, which is the currency of the primary economic environment in which the Company and its subsidiaries operate («functional currency»).

These interim condensed consolidated financial statements are intended to provide an update on 2012 annual financial statements. Accordingly, they do not include all the information required for annual financial statements and should be read in conjunction with the Company's 2012 annual audited financial statements.

Principles of consolidation

The interim condensed consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of earnings from the effective date of acquisition and up to the effective date of disposal, as appropriate. Intercompany transactions and balances are eliminated on consolidation.

4. RECENT ACCOUNTING PRONOUNCEMENT

The Company has not early adopted the following new accounting standards and accordingly, the adoption impact of these new standards on the consolidated financial statements have not yet been determined:

IFRS 9 – Financial instruments
IFRS 9 simplifies the measurement and classification for financial assets by reducing the number of measurement categories and removing complex rule-driven embedded derivative guidance in IAS 39, Financial Instruments: Recognition and Measurement. The new standard also provides for a fair value option in the designation of a non-derivative financial instruments and its related classification and measurement. IFRS 9 is effective from periods beginning January 1, 2015 with early adoption permitted.

IFRS 10 – Consolidated Financial Statements
IFRS 10 replaces SIC-12 Consolidation – Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements and provides additional guidance regarding the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. IFRS 10 is effective from periods beginning January 1, 2013 with early adoption permitted.

IFRS 11 – Joint Arrangements
IFRS 11 replaces IAS 31, Interests in Joint Ventures, with guidance that focuses on the rights and obligations of the arrangement, rather than its legal form. It also withdraws the option to proportionately consolidate an entity's interests in joint ventures. The new standard requires that such interests be recognized using the equity method. IFRS 11 is effective from periods beginning January 1, 2013 with early adoption permitted.

IFRS 12 – Disclosure of Interests in Other Entities
IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose entities and other off balance sheet vehicles. IFRS 12 is effective from periods beginning January 1, 2013 with early adoption permitted.

IFRS 13 – Fair value measurements
IFRS 13 defines fair value, requires the disclosure of estimates at fair value and provides guidance on measuring fair value when required or permitted to do so according to the IFRS standards. IFRS 13 is effective from periods beginning January 1, 2013 with early adoption permitted.

IFRS 7 -Financial instruments - Disclosure, and IAS 32 - Financial instruments - Presentation
IFRS 7 and IAS 32 were amended to include obligations of qualitative and quantitative information related to gross and net amounts recognized in the Financial statements that, a) are subject to an offset in the Statement of financial position and b) are subject to a master netting agreement or similar agreement enforceable even if they are not netted in the Statement of financial position. Amended IFRS 7 and amended IAS 32 are applicable for periods beginning on, or after January 1, 2013 and January 1, 2014, respectively, and the disclosures must be presented retrospectively.

IAS 19 - Employee benefits
ISA 19 was amended to eliminate the application of the so-called "corridor" method has the effect of deferring the recognition of gains and losses, to simplify the presentation of changes in assets and liabilities arising from defined benefit plans and improve disclosures for defined benefit plans. IAS 19 amended is effective for periods beginning on or after January 1, 2013 with early adoption permitted.

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

4. RECENT ACCOUNTING PRONOUNCEMENT (continued)

IAS 27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures
IAS 27 and IAS 28 were amended and renamed to be consistent with the publication of IFRS 10, IFRS 11 and IFRS 12. IAS 27 amended and IAS 28 amended are applicable for periods beginning on or after January 1, 2013 with early adoption permitted of the entity early adopts also IFRS 10, IFRS 11 and IFRS 12.

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

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

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

IAS 16, Property, Plant and Equipment, related to classification of servicing equipment.

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

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

These amendments are applicable for the Company for its annual periods beginning on or after January 1, 2013, with earlier application permitted.

5. EXPENSES BY NATURE

Detail of the amortization expense

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

	March 31 2013 (3 months)	March 31 2012 (3 months)	March 31 2013 (9 months)	March 31 2012 (9 months)
	$	$	$	$
Cost of contract revenue	2,554	2,272	7,468	6,407
General and administrative expenses	718	681	2,170	2,038
Total amortization	3,272	2,953	9,638	8,445

Principal expenses by nature

Operating, general and administrative expenses, other expenses and finance costs, net by nature are as follows:

	March 31 2013 (3 months)	March 31 2012 (3 months)	March 31 2013 (9 months)	March 31 2012 (9 months)
	$	$	$	$
Amortization	3,272	2,953	9,638	8,445
Employee benefits expense	12,698	16,477	40,874	47,166
Cost of inventory	5,705	8,311	20,590	21,593
Other expenses	2,711	9,112	10,017	21,236
Total operating, general and administrative expenses, other expenses and finance costs	24,386	36,853	81,119	98,440

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

6. PROPERTY, PLANT AND EQUIPMENT

Acquisition of property, plant and equipment totalized $1,205 for the three-month period ended March 31, 2013 and $8,372 for the nine-month period ended March 31, 2013 ($3,194 for the three-month period ended March 31, 2012 and $14,834 for the nine-month period ended March 31, 2012). During the three and the nine-month periods ended March 31, 2013, the Company disposed equipment for a total of $269 and $345 and recognized gain on disposal of property, plant and equipment for an amount of $210 and $165 which are included in the cost of contract revenue ($127 and $1,174 of proceeds from disposal of property, plant and equipment for the three-month and the nine-month periods ended March 31, 2012; $12 and $333 of gain on disposal of property, plant and equipment included in cost of contract revenue for the three and nine-month periods ended March 31, 2012).

7. LONG-TERM DEBT

	March 31 2013	June 30 2012
	$	$
Loan authorized for a maximum amount of $40 million, bearing interest at prime rate plus 0.5%, maturing May 2015, secured by first rank hypothec on the universality of all present and future assets (a) (b)	19,154	25,590
Loans, bearing interest at rates ranging from 0% to 1.5%, payable in monthly instalments of $31, maturing in September 2014, secured by certain vehicles of a net book value of $942	495	782
	19,649	26,372
Current portion	(351)	(401)
	19,298	25,971

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

(b) An unamortized amount of $146 ($210 as at June 30, 2012), representing financing fees has been presented in deduction of the long-term debt. This amount is being amortized to earnings over the term of the debt, using the effective interest method.

Under the terms of the long-term debt agreement, the Company must satisfy certain restrictive covenants as to minimum financial ratios (Note 8).

On March 31, 2013, the prime rate was 3% (3% as at June 30, 2012).

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

	$
2014	351
2015	144
2016	19,300

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

8. CAPITAL MANAGEMENT

The Company includes shareholders' equity, long-term debt and bank overdraft net of cash in the definition of capital.

Total managed capital was as follows:

	March 31 2013	June 30 2012
	$	$
Long-term debt	19,649	26,372
Share capital	54,411	54,411
Equity settled reserve	4,246	3,524
Retained earnings	58,897	57,797
Cash	(2,686)	(1,959)
	134,517	140,145

The Company's objective when managing its capital structure is to maintain financial flexibility in order to: i) preserve access to capital markets; ii) meet financial obligations and iii) finance internally generated growth and potential new acquisitions. To manage its capital structure, the Company may adjust spending, issue new shares, issue new debt or repay existing debt.

Under the terms of certain of the Company's debt agreements, the Company must satisfy certain financial covenants, such as Senior debt to earnings before income taxes, interest, depreciation and amortization ratio, Senior debt to capitalization ratio and fixed charge coverage ratio. Such agreements also limit, among other things, the Company's ability to incur additional indebtedness, create liens, engage in mergers or acquisitions and make dividend and other payments. As of March 31, 2013, and June 30, 2012, the Company was, and continues to be, in compliance with all covenants and other conditions imposed by its debt agreements.

In order to facilitate the management of its capital requirements, the Company prepares annual budgets that are updated as necessary, dependent on various factors.

The Company's objectives with regards to capital management remain unchanged from the prior year.

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

9. SHARE CAPITAL

Authorized, an unlimited number of common and preferred shares:

Common shares, participating and voting, without nominal or par value

Preferred shares, rights' privileges, restrictions and conditions shall be provided before their issuance by a resolution of the Board of Directors of the Company

Common shares issued:

	Nine-month period ended March 31, 2013		Year ended June 30, 2012	
	Number of shares	$	Number of shares	$
Balance, beginning of the period	33,276,519	54,411	33,048,937	53,406
Shares issued:				
For business acquisitions (a)	-	-	217,082	989
Stock option exercised	-	-	10,500	16
Balance, end of the period	33,276,519	54,411	33,276,519	54,411

(a) Issuance of common shares:

As at December 16, 2011, the Company issued a total of 217,082 common shares for a total amount of $989 as part of the consideration for the acquisition of Lantech Drilling Services Inc.

Earnings (loss) per share

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

	March 31 2013 (3 months)	March 31 2012 (3 months)	March 31 2013 (9 months)	March 31 2012 (9 months)
Earnings (loss) per share - basic				
Net earnings (loss) available to common shareholders	(624) $	3,443 $	1,100 $	8,943 $
Weighted average basic number of common shares outstanding	33,276,519	33,276,519	33,276,519	33,141,683
Earnings (loss) per share - basic	(0.02) $	0.10 $	0.03 $	0.27 $

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

9. SHARE CAPITAL (continued)

Earnings (loss) per share - diluted	March 31 2013 (3 months)	March 31 2012 (3 months)	March 31 2013 (9 months)	March 31 2012 (9 months)
Net earnings (loss) available to common shareholders	(624) $	3,443 $	1,100 $	8,943 $
Weighted average basic number of common shares outstanding	33,276,519	33,276,519	33,276,519	33,141,683
Adjustment to average number of common shares - stock options	-	1,019,465	630,852	1,004,156
Weighted average diluted number of common shares outstanding	33,276,519	34,295,984	33,907,371	34,145,839
Earnings (loss) per share - diluted	(0.02) $	0.10 $	0.03 $	0.26 $

The calculation of the diluted loss per share for the three-month period ended March 31, 2013 excludes the effect of the options, as they are anti-dilutive.

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, 2012	2,623,000	3.25
Granted during the period	550,000	2.28
Outstanding as at March 31, 2013	3,173,000	3.08
Exercisable as at March 31, 2013	1,919,000	2.58

The following table summarizes information on stock options outstanding at March 31, 2013:

Range of exercise price $	Outstanding at March 31, 2013	Weighted average remaining life (years)	Weighted average exercise price $	Exercisable at March 31, 2013	Weighted average exercise price $
1.00 - 1.50	1,033,000	3.87	1.02	1,033,000	1.02
2.00 - 2.50	550,000	6.63	2.28	-	-
4.00	925,000	5.69	4.00	680,000	4.00
5.60 - 6.02	665,000	5.10	5.67	206,000	5.69
	3,173,000			1,919,000	

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

9. SHARE CAPITAL (continued)

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

	March 31 2013 (3 months)	March 31 2012 (3 months)	March 31 2013 (9 months)	March 31 2012 (9 months)
	$	$	$	$
Expense related to share-based compensation	236	255	722	753

10. INCOME TAXES

Income tax expense differs from the amounts calculated by applying Canadian statutory rates (federal and provincial) with details as follows:

	March 31 2013 (3 months)	March 31 2012 (3 months)	March 31 2013 (9 months)	March 31 2012 (9 months)
	$	$	$	$
Earnings (loss) before income taxes	(672)	4,891	1,690	12,844
Statutory rates	26.54%	27.44%	26.54%	27.44%
Income taxes based on statutory rates	(178)	1,342	448	3,524
Increase (decrease) of income taxes to the following:				
Non-deductible expenses and other	53	56	113	213
Non-deductible share-based compensation expense	63	70	192	206
Prior year adjustments	-	(35)	2	(77)
Change in fair value and reversal of contingent considerations	14	15	(165)	35
Total income taxes	(48)	1,448	590	3,901

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

11. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

Changes in non-cash operating working capital items:

	March 31 2013 (3 months)	March 31 2012 (3 months)	March 31 2013 (9 months)	March 31 2012 (9 months)
	$	$	$	$
Accounts receivable	(3,919)	(4,232)	14,430	2,330
Inventories	1,242	(1,264)	1,527	(8,528)
Prepaid expenses	(550)	(786)	(171)	(636)
Accounts payable and accrued liabilities	392	2,304	(9,085)	(3,165)
	(2,835)	(3,978)	6,701	(9,999)

12. COMMITMENTS

The Company has entered into operating lease agreements expiring in 2016 which call for lease payments of $401 for the rental of vehicles. The Company has also entered into lease agreements for offices expiring in 2021 for minimum lease payments of $1,393. None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions. The minimum lease payments under lease agreements for the next five years are detailed as follows:

	$
2014	416
2015	328
2016	234
2017	178
2018	178
Subsequent years	460

13. FINANCIAL INSTRUMENTS

The Company is exposed to various risks related to its financial assets and liabilities. There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks, or the methods used to measure them, from previous years, unless otherwise stated in this note.

Currency risk

The Company realizes a part of its activities in US dollars and is thus exposed to foreign exchange fluctuations. The Company does not actively manage this risk. As at March 31, 2013, the Company has cash in US dollars for an amount of $1,702 (June 30, 2012, $935) and accounts receivable in US dollars for an amount of $763 (June 30, 2012, $2,195).

As at March 31, 2013, the Company has estimated that a 10% increase or decrease of the US exchange rate would have caused a corresponding annual increase or decrease in net earnings and comprehensive earnings of approximately $121 (June 30, 2012, $193).

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

13. 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 March 31, 2013, the amount of the insurance coverage from EDC represents approximately 29% of the accounts receivable (24% in June 30, 2012).

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 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:

	March 31 2013 (3 months)	March 31 2012 (3 months)	March 31 2013 (9 months)	March 31 2012 (9 months)
	$	$	$	$
Balance at beginning of the period	492	770	308	734
Change in allowance, other than write-offs and recoveries	87	-	457	42
Write-offs or trade receivables	-	18	(4)	18
Recoveries	(19)	(39)	(201)	(45)
Balance at end of the period	560	749	560	749

As at March 31, 2013, 48% (June 30, 2012: 43%) of the trade accounts receivable are aged as current and 3% are impaired (June 30, 2012: 1%).

One major customer represent 24% of the trade accounts receivable as at March 31, 2013 (June 30, 2012, two major customer represent 34% of these accounts).

One major customer represents 24% of the contract revenue for the three-month period ended March 31, 2013 (three-month period ended March 31, 2012, no major customer represents more than 10% of the contract revenue).

One major customer represents 18% of the contract revenue for the nine-month period ended March 31, 2013 (nine-month period ended March 31, 2012, 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 ratings.

The Company does not enter into derivatives to manage credit risk.

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

13. FINANCIAL INSTRUMENTS (continued)

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, 2013, the Company has estimated that a 1% point increase or decrease in interest rates would have caused a corresponding annual increase or decrease in net earnings of approximately $145 (June 30, 2012, $187).

Fair value

The fair value of cash, accounts receivable and accounts payable and accrued liabilities is approximately equal to their carrying values due to their short-term maturity.

The fair value of long-term debt approximates its carrying value as it bears interest at a variable rate and has financing conditions similar to those currently available to the Company. The fair value on the contingent consideration has been evaluated as of a discounted rate value.

The changes in the contingent considerations are detailed below:

	March 31 2013 (3 months)	March 31 2012 (3 months)	March 31 2013 (9 months)	March 31 2012 (9 months)
	$	$	$	$
Balance at beginning of the period	3,279	4,326	4,356	2,130
Business acquisitions	-	-	-	2,119
Change in fair value of contingent considerations	53	50	176	127
Estimated contingent consideration transfered to accounts payable and accrued liabilities	-	-	(400)	-
Reversal of contingent considerations	-	-	(800)	-
Balance at end of the period	3,332	4,376	3,332	4,376

Liquidity risk

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

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. In Note 8 are details of undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

	As at March 31, 2013			
	Total	0 -1 year	2 - 3 years	4 - 5 years
	$	$	$	$
Accounts payable and accrued liabilities	11,521	11,521	-	-
Contingent considerations	3,600	2,000	1,600	-
Long-term debt (capital only)	19,795	351	19,444	-
	34,916	13,872	21,044	-

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

14. SEGMENTED INFORMATION

The Company is separated into two geographical segments: Canada and International (US, Central and South America and West Africa). The elements of the results and the financial situation are divided between the sectors, based on destination of contracts or profits. Data by geographical areas follow the same accounting rules as those used for the consolidated accounts. Transfers between sectors are carried out at market prices.

Operational sectors are presented using the same criteria as for the production of the internal report to the chief operations decision maker; who allocates the resources and evaluates the performance of the operational sectors. The chief operations decision maker is considered as the President and Chief Executive, who evaluates the performance of both sectors by the revenues of ordinary activities from external clients, gross margin and net income.

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

	March 31 2013 (3 months)	March 31 2012 (3 months)	March 31 2013 (9 months)	March 31 2012 (9 months)
	$	$	$	$
Contract revenue				
Canada	23,339	35,625	77,287	94,180
International	375	6,119	5,522	17,104
	23,714	41,744	82,809	111,284
Gross profit				
Canada	4,057	7,014	13,727	16,293
International	(623)	2,970	(497)	9,665
	3,434	9,984	13,230	25,958
General corporate expenses	3,791	4,680	10,581	12,133
Finance costs	315	413	959	981
Income taxes	(48)	1,448	590	3,901
	4,058	6,541	12,130	17,015
Net earnings (loss)	(624)	3,443	1,100	8,943
Amortization				
Canada	2,265	2,002	6,601	5,686
International	289	270	867	721
Unallocated and corporate assets	718	681	2,170	2,038
	3,272	2,953	9,638	8,445

	As at March 31, 2013	As at June 30, 2012
	$	$
Identifiable assets		
Canada	142,915	153,707
International	12,287	16,444
	155,202	170,151
Property, plant and equipment		
Canada	50,812	49,939
International	5,039	5,941
	55,851	55,880