Unaudited Interim Condensed Consolidated Financial Statements

Third Quarter Fiscal 2014

(Three and nine-month periods ended March 31, 2014 and 2013)

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

ORBIT GARANT DRILLING INC.
Interim condensed consolidated statements of earnings and comprehensive earnings

For the three and nine-month periods ended March 31, 2014 and 2013
(in thousands of Canadian dollars, except for earnings per share)
(Unaudited)

	Notes	March 31 2014 (3 months)	March 31 2013 (3 months)	March 31 2014 (9 months)	March 31 2013 (9 months)
		$	$	$	$
Contract revenue	14	15,958	23,714	51,277	82,809
Cost of contract revenue	5	17,024	20,280	49,225	69,579
Gross profit		(1,066)	3,434	2,052	13,230
Expenses					
General and administrative expenses	5	2,885	3,800	9,063	10,548
Other expenses (revenues)	5	(158)	(9)	(215)	33
Finance costs	5	177	315	566	959
		2,904	4,106	9,414	11,540
Earnings (loss) before income taxes		(3,970)	(672)	(7,362)	1,690
Income taxes (recovery)	10				
Current		(666)	25	(1,027)	929
Deferred		(385)	(73)	(830)	(339)
		(1,051)	(48)	(1,857)	590
Net earnings (loss) and comprehensive earnings (loss) attributable to shareholders		(2,919)	(624)	(5,505)	1,100
Earnings (loss) per share attributable to shareholders	9				
Basic		(0.09)	(0.02)	(0.17)	0.03
Diluted		(0.09)	(0.02)	(0.17)	0.03

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, 2014 and 2013

(in thousands of Canadian dollars)

(Unaudited)

Nine-month period ended March 31, 2014	Share capital	Equity settled reserve	Retained Earnings	Total Shareholders' Equity
	$	$	$	$
	(Note 9)	(Note 9)		
Balance as of July 1, 2013	54,411	4,480	31,327	90,218
Net loss and comprehensive loss	-	-	(5,505)	(5,505)
Share-based compensation	-	549	-	549
Stock options cancelled	-	(52)	52	-
Balance as of March 31, 2014	54,411	4,977	25,874	85,262

Nine-month period ended March 31, 2013	Share capital	Equity settled reserve	Retained Earnings	Total Shareholders' Equity
	$	$	$	$
	(Note 9)	(Note 9)		
Balance as of July 1, 2012	54,411	3,524	57,797	115,732
Net earnings and comprehensive 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 statements of financial position
As of March 31, 2014 and June 30, 2013
(in thousands of Canadian dollars)
(Unaudited)

	Notes	March 31 2014	June 30 2013
		$	$
ASSETS			
Current assets			
Cash		1,131	1,507
Short-term investments		300	-
Accounts receivable	13	17,249	18,157
Inventories		37,769	38,751
Income taxes receivable		1,813	2,292
Prepaid expenses		1,249	1,019
		59,511	61,726
Non-current assets			
Property, plant and equipment	6	48,016	53,729
Intangible assets		1,310	1,748
Total assets		108,837	117,203
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		11,243	9,772
Contingent considerations	13	1,140	367
Current portion of long-term debt	7	10,664	338
		23,047	10,477
Non-current liabilities			
Contingent considerations	13	-	729
Long-term debt	7	-	14,421
Deferred tax liabilities		528	1,358
		23,575	26,985
EQUITY			
Share capital	9	54,411	54,411
Equity settled reserve	9	4,977	4,480
Retained earnings		25,874	31,327
Equity attributable to shareholders		85,262	90,218
Total liabilities and equity		108,837	117,203

APPROVED BY THE BOARD

(signed) Éric Alexandre, Director

(signed) Jean-Yves Laliberté, Director

See accompanying notes to interim condensed consolidated financial statements.

ORBIT GARANT DRILLING INC.
Interim condensed consolidated statements of cash flows
For the three and nine-month periods ended March 31, 2014 and 2013

(in thousands of Canadian dollars)

(Unaudited)

	Notes	March 31 2014 (3 months)	March 31 2013 (3 months)	March 31 2014 (9 months)	March 31 2013 (9 months)
		$	$	$	$
OPERATING ACTIVITIES					
Earnings (loss) before income taxes		(3,970)	(672)	(7,362)	1,690
Items not affecting cash:					
Depreciation of property, plant and equipment	5	2,580	2,799	7,870	8,217
Amortization of intangible assets	5	146	473	438	1,421
Loss (gain) on disposal of property, plant and equipment	6	16	(210)	13	(165)
Share-based compensation	9	167	236	549	722
Finance costs		165	262	522	783
Reversal of contingent considerations	13	-	-	-	(800)
Change in fair value of contingent considerations	13	12	53	44	176
		(884)	2,941	2,074	12,044
Changes in non-cash operating working capital items	11	1,162	(2,835)	2,947	6,701
Income taxes recovered (paid)		168	316	1,506	(2,489)
Finance costs paid		(143)	(241)	(458)	(720)
		303	181	6,069	15,536
INVESTING ACTIVITIES					
Acquisition of short-term investments		(116)	-	(116)	-
Acquisition of property, plant and equipment	6	(872)	(1,205)	(2,411)	(8,372)
Proceeds from disposal of property, plant and equipment	6	13	269	249	345
		(975)	(936)	(2,278)	(8,027)
FINANCING ACTIVITIES					
Proceeds from long-term debt		10,100	15,500	31,300	52,255
Repayment of long-term debt		(9,884)	(13,891)	(35,459)	(59,041)
		216	1,609	(4,159)	(6,786)
Effect of exchange rate changes		(7)	(7)	(8)	4
Increase (decrease) in cash		(463)	847	(376)	727
Cash, beginning of the period		1,594	1,839	1,507	1,959
Cash, end of the period		1,131	2,686	1,131	2,686

See accompanying notes to interim condensed consolidated financial statements.

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

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

2. 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 Note 3 to the Company's annual audited consolidated statements for the year ended June 30, 2013 were consistently applied to all periods presented, except for accounting policies affected by standards and interpretations adopted on July 1, 2013, as described in Note 3 below. These interim condensed consolidated financial statements have not been subject to a review engagement by the Company's external auditors.

The preparation of financial statements in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in Note 4 in the Company's annual audited consolidated financial statements for the year ended June 30, 2013. They remained unchanged for the three and nine-month periods ended March 31, 2014.

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

These interim condensed consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's 2013 annual audited consolidated financial statements.

These interim condensed consolidated financial statements were approved for issue by the Board of Directors of Orbit Garant Drilling Inc. on May 12, 2014.

2. BASIS OF PRESENTATION (continued)

Principles of Consolidation

The interim condensed consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. A subsidiary is an entity controlled by the Company. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, independently of its percentage of participation. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when the Company controls another entity.

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

3. STANDARDS AND INTERPRETATIONS ADOPTED

The following standards and amendments to existing standards have been adopted by the Company on July 1, 2013:

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 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 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 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 7 - Financial instruments - Disclosure
IFRS 7 is 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.

IAS 19 - Employee benefits
IAS 19 is amended to eliminate the application of the so-called «corridor» method and 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 27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures
IAS 27 and IAS 28 are amended and renamed to be consistent with the publication of IFRS 10, IFRS 11 and IFRS 12.

3. STANDARDS AND INTERPRETATIONS ADOPTED (continued)

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, P*roperty, 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.

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

4. RECENT ACCOUNTING PRONOUNCEMENT

The Company has not early adopted the following new standards and adoption impacts on the consolidated financial statements have not yet been determined:

IFRS 9 – Financial Instruments

IFRS 9 simplifies the measurement and classification for financial assets by reducing the number of measurement categories and removing complex rule-driven embedded derivative guidance in IAS 39, Financial Instruments: Recognition and Measurement. The new standard also provides for a fair value option in the designation of non-derivative financial instruments and its related classification and measurement. IFRS 9 is effective from periods beginning January 1, 2018, with early adoption permitted.

IAS 32 - Financial Instruments - Presentation

IAS 32 is amended to provide clarification on the application of rules to offset financial assets and financial liabilities. The following notions are clarified: legally enforceable right to offset, application of simultaneous realization or settlement, offsetting a guaranteed amount and the unit of accounting for application of the offsetting obligations. Amended IAS 32 is applicable for the periods beginning on, or after January 1, 2014 and must be applied retrospectively.

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

IAS 36 is amended to address the disclosure information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. Amended IAS 32 is applicable for the periods beginning on, or after January 1, 2014, with an earlier application permitted.

IFRIC 21 - Levies

IFRIC Interpretation 21 considers how an entity should account for levies imposed by governments, other than income taxes, in its financial statements. IFRIC Interpretation 21 is applicable for the periods beginning on, or after January 1, 2014, with an earlier application permitted.

The following amendments to the standards have been issued by the IASB and are applicable to the Company for its annual periods beginning on July 1, 2014 and thereafter, with an earlier application permitted:

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

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

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

4. RECENT ACCOUNTING PRONOUNCEMENT (continued)

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

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

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

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

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

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

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

5. EXPENSES BY NATURE

Detail of the depreciation and amortization expenses

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

	March 31 2014 (3 months)	March 31 2013 (3 months)	March 31 2014 (9 months)	March 31 2013 (9 months)
	$	$	$	$
Cost of contract revenue	2,332	2,554	7,010	7,468
General and administrative expenses	394	718	1,298	2,170
Total depreciation and amortization	2,726	3,272	8,308	9,638

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

5. EXPENSES BY NATURE (continued)

Principal expenses by nature

Cost of contract revenue, general and administrative expenses, other expenses (revenues) and finance costs, net by nature are as follows:

	March 31 2014 (3 months)	March 31 2013 (3 months)	March 31 2014 (9 months)	March 31 2013 (9 months)
	$	$	$	$
Depreciation and amortization	2,726	3,272	8,308	9,638
Employee benefits expense	10,044	12,698	29,203	40,874
Cost of inventory	4,267	5,705	12,476	20,590
Other expenses	2,891	2,711	8,652	10,017
Total cost of contract revenue, general and administrative expenses, other expenses (revenues) and finance costs	19,928	24,386	58,639	81,119

6. PROPERTY, PLANT AND EQUIPMENT

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

	March 31 2014 (3 months)	March 31 2013 (3 months)	March 31 2014 (9 months)	March 31 2013 (9 months)
	$	$	$	$
Acquisition of property, plant and equipment	872	1,205	2,411	8,372
Disposal of property, plant and equipment	(13)	(269)	(249)	(345)
Loss (gain) on disposal of property, plant and equipement	16	(210)	13	(165)

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

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

7. LONG-TERM DEBT

	March 31 2014	June 30 2013
	$	$
Loan authorized for a maximum amount of $40 million ($30 million as at May 5, 2014), bearing interest at prime rate plus 0.5%, effective rate as at March 31, 2014 3.5%, maturing May 2015, secured by first rank hypothec on the universality of all present and future assets (a) (b)	10,520	14,355
Loans, bearing interest at rates ranging from 0% to 1.5%, payable in monthly instalments of $26, maturing in September 2014, secured by certain vehicles of a net book value of $730 as at March 31, 2014 and $912 as at June 30, 2013	144	404
	10,664	14,759
Current portion	(10,664)	(338)
	-	14,421

(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% (0.5% to 2.0% as at May 5, 2014). 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 ($50 million as at May 5, 2014).

(b) An unamortized amount of $80 ($144 as at June 30, 2013), 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). As at March 31, 2014, the Company was not compliant with certain of its financial covenants. On May 5, 2014, the bank agreed to amend the Credit Agreement that waives these breaches and revised certain of the financial covenants. The non-current portion of the loan was classified within current liabilities as at March 31, 2014.

On March 31, 2014, the prime rate was 3% (3% as at June 30, 2013).

Principal payments required in the next year are as follows:

	$
2015	10,744

(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 2014	June 30 2013
	$	$
Long-term debt	10,664	14,759
Share capital	54,411	54,411
Equity settled reserve	4,977	4,480
Retained earnings	25,874	31,327
Cash	(1,131)	(1,507)
	94,795	103,470

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

Under the terms of certain of the Company's debt agreements, the Company must satisfy certain financial covenants, such as Senior debt to earnings before income taxes, interest, depreciation and amortization ratio, Senior debt to capitalization ratio and fixed charge coverage ratio. Such agreements also limit, among other things, the Company's ability to incur additional indebtedness, create liens, engage in mergers or acquisitions and make dividend and other payments. As at March 31, 2014, as mentioned in note 7, the Company was in breach of certain financial covenants imposed by its debt agreement.

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

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

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.

	Nine-month period ended March 31, 2014		Year ended June 30, 2013	
	Number of shares	$	Number of shares	$
Balance, beginning of the period	33,276,519	54,411	33,276,519	54,411
Shares issued	-	-	-	-
Balance, end of the period	33,276,519	54,411	33,276,519	54,411

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

9. SHARE CAPITAL (continued)

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.

Earnings (loss) per share - basic	March 31 2014 (3 months)	March 31 2013 (3 months)	March 31 2014 (9 months)	March 31 2013 (9 months)
Net earnings (loss) available to common shareholders	(2,919) $	(624) $	(5,505) $	1,100 $
Weighted average basic number of common shares outstanding	33,276,519	33,276,519	33,276,519	33,276,519
Earnings (loss) per share - basic	(0.09) $	(0.02) $	(0.17) $	0.03 $

Earnings (loss) per share - diluted	March 31 2014 (3 months)	March 31 2013 (3 months)	March 31 2014 (9 months)	March 31 2013 (9 months)
Net earnings (loss) available to common shareholders	(2,919) $	(624) $	(5,505) $	1,100 $
Weighted average basic number of common shares outstanding	33,276,519	33,276,519	33,276,519	33,276,519
Adjustment to average number of common shares - stock options (1)	-	-	-	630,852
Weighted average diluted number of common shares outstanding	33,276,519	33,276,519	33,276,519	33,907,371
Earnings (loss) per share - diluted	(0.09) $	(0.02) $	(0.17) $	0.03 $

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

The calculation of the diluted earnings per share for the nine-month period ended March 31, 2013 excludes the effect of 2,140,000 options as they are anti-dilutive.

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

9. SHARE CAPITAL (continued)

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

	March 31, 2014 (9 months)	
	Number of options	Weighted average exercise price
		$
Outstanding at June 30, 2013	3,173,000	3.08
Granted during the period	682,500	1.02
Cancelled during the period	(23,000)	3.43
Outstanding at March 31, 2014	3,832,500	2.71
Exercisable at March 31,2014	2,342,000	2.85

The following table summarizes information on stock options outstanding at March 31, 2014:

Range of exercise price $	Outstanding at March 31, 2014	Weighted average remaining life (years)	Weighted average exercise price $	Exercisable at March 31, 2014	Weighted average exercise price $
1.00 - 1.50	1,715,500	4.38	1.02	1,033,000	1.02
2.00 - 2.50	535,000	5.63	2.28	107,000	2.28
4.00	925,000	4.69	4.00	865,000	4.00
5.60 - 6.02	657,000	4.10	5.67	337,000	5.68
	3,832,500			2,342,000	

During the three and the nine-month 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 2014 (3 months)	March 31 2013 (3 months)	March 31 2014 (9 months)	March 31 2013 (9 months)
	$	$	$	$
Expense related to share-based compensation	167	236	549	722

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

10. INCOME TAXES

The applicable tax rate of the Company corresponds to Canadian combined rates applicable in the provinces where the Company operates.

	March 31 2014 (3 months)	March 31 2013 (3 months)	March 31 2014 (9 months)	March 31 2013 (9 months)
	$	$	$	$
Earnings (loss) before income taxes	(3,970)	(672)	(7,362)	1,690
Statutory rates	26.52%	26.54%	26.52%	26.54%
Income taxes (recovery) based on statutory rates	(1,053)	(178)	(1,952)	448
Increase (decrease) of income taxes due to the following:				
Non-deductible expenses and other	6	53	17	113
Non-deductible share-based compensation expense	44	63	145	192
Effect of corporate tax rate modification	(51)	-	(79)	-
Prior year adjustments	-	-	-	2
Change in fair value of contingent considerations	3	14	12	(165)
Total income taxes (recovery)	(1,051)	(48)	(1,857)	590

11. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

Changes in non-cash operating working capital items:

	March 31 2014 (3 months)	March 31 2013 (3 months)	March 31 2014 (9 months)	March 31 2013 (9 months)
	$	$	$	$
Accounts receivable	(1,236)	(3,919)	724	14,430
Inventories	(886)	1,242	982	1,527
Prepaid expenses	(492)	(550)	(230)	(171)
Accounts payable and accrued liabilities	3,776	392	1,471	(9,085)
	1,162	(2,835)	2,947	6,701

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

12. COMMITMENTS

The Company has entered into operating lease agreements expiring in 2017 which call for lease payments of $189 for the rental of vehicles. The Company has also entered into lease agreements for offices expiring in 2021 for minimum lease payments of $1,194. None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions. The minimum lease payments under lease agreements for the next five years are detailed as follows:

	$
2015	334
2016	218
2017	194
2018	178
2019	178
Subsequent years	281

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, 2014, the Company has cash in US dollars for an amount of $974 (June 30, 2013, $1,098) and accounts receivable in US dollars for an amount of $243 (June 30, 2013, $522).

As at March 31, 2014, the Company has estimated that a 10% increase or decrease of the US exchange rate would have caused a corresponding annual increase or decrease in net earnings and comprehensive earnings of approximately $58 (March 31, 2013, $121).

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, 2014, the amount of the insurance coverage from EDC represents approximately 17% of the accounts receivable (35% in June 30, 2013). Due to the reduction of International drilling demands the Company does not meet the EDC requirements. Consequently, the insurance coverage ceased as of May 1, 2014. Considering the payed premiums and claims made over the past years, the Company has evaluated the this change will have little impact on its financial results.

The carrying amounts for accounts receivable are net of allowances for doubtful accounts, which are estimated based on aging analysis of receivables, past experience, specific risks associated with the customer and other relevant information. The maximum exposure to credit risk is the carrying value of the financial assets.

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

13. FINANCIAL INSTRUMENTS (continued)

The allowance for doubtful accounts is established based on the Company's best estimate on the recovery of balances for which collection may be uncertain. Uncertainty of collection may become apparent from various indicators, such as a deterioration of the credit situation of a given client or delay in collection when the aging of invoices exceeds the normal payment terms. Management regularly reviews accounts receivable and assesses the appropriateness of the allowance for doubtful accounts.

The change in the allowance for doubtful accounts is detailed below:

	March 31 2014 (3 months)	March 31 2013 (3 months)	March 31 2014 (9 months)	March 31 2013 (9 months)
	$	$	$	$
Balance at beginning of the period	1,221	492	1,239	308
Change in allowance, other than write-offs and recoveries	100	87	188	457
Write-offs of trade receivables	(66)	-	(72)	(4)
Recoveries	(103)	(19)	(203)	(201)
Balance at end of the period	1,152	560	1,152	560

As at March 31, 2014, 42% (June 30, 2013: 37%) of the trade accounts receivable are aged as current and 7% are impaired (June 30, 2013: 7%).

One major customer represents 10% of the trade accounts receivable as at March 31, 2014 (June 30, 2013, one major customer represents 26% of these accounts).

Three major customers represent 43% of the contract revenue for the three-month period ended March 31, 2014 (three-month period ended March 31, 2013, one major customer represents 24%).

Two major customers represent 27% of the contract revenue for the nine-month period ended March 31, 2014 (nine-month period ended March 31, 2013, one major customer represents 18%).

Credit risk also arises from cash and cash equivalents with banks and financial institutions. This risk is limited because the counterparties are mainly Canadian banks with high credit ratings.

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

Interest rate risk

The Company is subject to interest rate risk since a significant part of the long-term debt bears interest at variable rates.

As at March 31, 2014, the Company has estimated that a 1% point increase or decrease in interest rates would have caused a corresponding annual increase or decrease in net earnings of approximately $79 (March 31, 2013, $145).

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 considerations has been evaluated with a discounted rate value.

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

13. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The methodology used to measure the Company's financial instruments accounted for at fair value is determined based on the following hierarchy:

Level	Basis for determination of fair value
Level 1	Quoted prices in active markets for identical assets or liabilities
Level 2	Inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the asset or liability
Level 3	Inputs for the asset or liability that are not based on observable market data

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

As at March 31, 2014 and June 30, 2013, the contingent considerations, the only financial instruments at fair value, are classified as a Level 3 financial instrument as the fair value is determined using a discounted rate value, between 6.5% and 12%. There is no observable inputs for that financial intrument. The short-term investments are classified as a Level 2 financial instrument as the fair value is determined using other inputs than quoted prices in the active market.

The changes in the contingent considerations are detailed below:

	March 31 2014 (3 months)	March 31 2013 (3 months)	March 31 2014 (9 months)	March 31 2013 (9 months)
	$	$	$	$
Balance at beginning of the period	1,128	3,279	1,096	4,356
Change in fair value of contingent considerations	12	53	44	176
Estimated contingent consideration transfered to accounts payable and accrued liabilities	-	-	-	(400)
Reversal of contingent considerations	-	-	-	(800)
Balance at end of the period	1,140	3,332	1,140	3,332

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, 2014
	Total	0 -1 year	2 - 3 years	4 - 5 years
	$	$	$	$
Accounts payable and accrued liabilities	11,243	11,243	-	-
Contingent considerations	1,140	1,140	-	-
Long-term debt (capital only)	10,744	10,744	-	-
	23,127	23,127	-	-

(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 operating decision maker; who allocates the resources and evaluates the performance of the operational sectors. The chief operating decision maker is considered as the President and Chief Executive Officer, who evaluates the performance of both sectors by the revenues of ordinary activities from external clients, gross margin and net earnings.

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

	March 31 2014 (3 months)	March 31 2013 (3 months)	March 31 2014 (9 months)	March 31 2013 (9 months)
	$	$	$	$
Contract revenue				
Canada	15,169	23,339	48,171	77,287
International	789	375	3,106	5,522
	15,958	23,714	51,277	82,809
Gross profit				
Canada	(513)	4,057	2,758	13,727
International	(553)	(623)	(706)	(497)
	(1,066)	3,434	2,052	13,230
General corporate expenses	2,727	3,791	8,848	10,581
Finance costs	177	315	566	959
Income taxes (recovery)	(1,051)	(48)	(1,857)	590
	1,853	4,058	7,557	12,130
Net earnings (loss)	(2,919)	(624)	(5,505)	1,100
Depreciation and amortization				
Canada	2,103	2,265	6,213	6,601
International	229	289	797	867
Unallocated and corporate assets	394	718	1,298	2,170
	2,726	3,272	8,308	9,638

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

14. SEGMENTED INFORMATION (continued)

	As at March 31, 2014	As at June 30, 2013
	$	$
Identifiable assets		
Canada	97,703	104,187
International	11,134	13,016
	108,837	117,203
Property, plant and equipment		
Canada	44,898	48,928
International	3,118	4,801
	48,016	53,729