FORAGE ORBIT GARANT DRILLING

Unaudited Interim Condensed Consolidated Financial Statements

Third Quarter Fiscal 2016

(For the three and nine-month periods ended March 31, 2016 and 2015)

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 loss and comprehensive loss

For the three and nine-month periods ended March 31, 2016 and 2015

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

(Unaudited)

	Notes	March 31 2016 (3 months)	March 31 2015 (3 months)	March 31 2016 (9 months)	March 31 2015 (9 months)
		$	$	$	$
Contract revenue	15	28,077	18,712	74,066	56,173
Cost of contract revenue	5	26,745	18,670	68,158	54,572
Gross profit		1,332	42	5,908	1,601
Expenses					
General and administrative expenses	5	3,912	2,750	10,548	8,380
Foreign exchange (gain) loss	5	334	(315)	306	(335)
Finance costs	5	258	135	478	408
		4,504	2,570	11,332	8,453
Loss before income taxes		(3,172)	(2,528)	(5,424)	(6,852)
Income taxes recovery	11				
Current		(92)	(345)	(261)	(684)
Deferred		(514)	(165)	(548)	(764)
		(606)	(510)	(809)	(1,448)
Loss and comprehensive loss attributable to shareholders		(2,566)	(2,018)	(4,615)	(5,404)
Loss per share attributable to shareholders	10				
Basic		(0.07)	(0.06)	(0.13)	(0.16)
Diluted		(0.07)	(0.06)	(0.13)	(0.16)

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, 2016 and 2015

(in thousands of Canadian dollars)

(Unaudited)

Nine-month period ended March 31, 2016		Share capital	Equity settled reserve	Retained Earnings	Total Shareholders' Equity
		$	$	$	$
		(Note 10)	(Note 10)		
Balance as of July 1, 2015		54,411	1,458	21,750	77,619
Issuance of shares related to business acquisition	(Note 2)	1,277	-	-	1,277
Net loss and comprehensive loss		-	-	(4,615)	(4,615)
Share-based compensation		-	143	-	143
Balance as of March 31, 2016		55,688	1,601	17,135	74,424

Nine-month period ended March 31, 2015	Share capital	Equity settled reserve	Retained Earnings	Total Shareholders' Equity
	$	$	$	$
	(Note 10)	(Note 10)		
Balance as of July 1, 2014	54,411	5,133	25,025	84,569
Net loss and comprehensive loss	-	-	(5,404)	(5,404)
Share-based compensation	-	365	-	365
Balance as of March 31, 2015	54,411	5,498	19,621	79,530

See accompanying notes to interim condensed consolidated financial statements.

ORBIT GARANT DRILLING INC.
Interim condensed consolidated statements of financial position
As of March 31, 2016 and June 30, 2015
(in thousands of Canadian dollars)
(Unaudited)

	Notes	March 31 2016	June 30 2015
		$	$
ASSETS			
Current assets			
Cash		1,463	396
Accounts receivable	14	21,656	18,890
Inventories		38,721	33,878
Income taxes receivable		1,032	1,244
Prepaid expenses		980	1,412
		63,852	55,820
Non-current assets			
Investments	6	404	424
Property, plant and equipment	7	38,447	39,705
Intangible assets		145	583
Deferred tax assets		1,383	833
Total assets		104,231	97,365
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		16,701	12,298
Factoring liabilities	14	2,088	-
Current portion of finance lease	8	1,024	-
		19,813	12,298
Non-current liabilities			
Long-term debt and finance lease	8	9,994	7,448
		29,807	19,746
EQUITY			
Share capital	10	55,688	54,411
Equity settled reserve	10	1,601	1,458
Retained earnings		17,135	21,750
Equity attributable to shareholders		74,424	77,619
Total liabilities and equity		104,231	97,365

APPROVED BY THE BOARD

Éric Alexandre, Director

Jean-Yves Laliberté, Director

See accompanying notes to interim condensed consolidated financial statements.

ORBIT GARANT DRILLING INC.

Interim condensed consolidated statements of cash flows

For the three and nine-month periods ended March 31, 2016 and 2015

(in thousands of Canadian dollars)

(Unaudited)

	Notes	March 31 2016 (3 months)	March 31 2015 (3 months)	March 31 2016 (9 months)	March 31 2015 (9 months)
		$	$	$	$
OPERATING ACTIVITIES					
Loss before income taxes		(3,172)	(2,528)	(5,424)	(6,852)
Items not affecting cash:					
Depreciation of property, plant and equipment	5	3,077	2,432	7,731	7,477
Amortization of intangible assets	5	146	146	438	438
Gain on disposal of property, plant and equipment	7	(238)	(10)	(262)	(16)
Gain on disposal of investments	6	-	(31)	(3)	(31)
Share-based compensation	10	51	92	143	365
Finance costs, excluding change in fair value of contingent considerations		258	135	478	404
Reversal of contingent considerations	14	-	-	-	(150)
Change in fair value of contingent considerations	14	-	-	-	4
		122	236	3,101	1,639
Changes in non-cash operating working capital items	12	1,907	724	1,471	2,788
Income taxes recovered (paid)		290	(45)	1,132	1,699
Finance costs paid		(239)	(117)	(443)	(557)
		2,080	798	5,261	5,569
INVESTING ACTIVITIES					
Acquisition of investments	6	-	-	-	(135)
Proceeds from disposal of investments	6	-	42	23	42
Acquisition of property, plant and equipment	7	(1,484)	(860)	(4,690)	(2,418)
Proceeds from disposal of property, plant and equipment	7	264	70	350	313
		(1,220)	(748)	(4,317)	(2,198)
FINANCING ACTIVITIES					
Proceeds from factoring		3,657	-	3,657	-
Repayment on factoring		(4,838)	-	(4,838)	-
Proceeds from long-term debt		19,604	11,500	51,483	35,550
Repayment of long-term debt		(18,466)	(11,000)	(50,181)	(38,615)
		(43)	500	121	(3,065)
Effect of exchange rate changes		4	(15)	2	(20)
Increase in cash		821	535	1,067	286
Cash, beginning of the period		642	86	396	335
Cash, end of the period		1,463	621	1,463	621

See accompanying notes to interim condensed consolidated financial statements.

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

1. DESCRIPTION OF BUSINESS

Orbit Garant Drilling Inc. (the "Company"), amalgamated under the *Canada Business Company Act*, mainly operates a surface and underground diamond drilling business. The Company has operations in Canada, United States, Central and South America 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%
Drift Exploration Drilling Inc.	100%
Drift de Mexico SA de CV	100%
Lantech Drilling Services Inc.	100%
Perforación Orbit Garant Chile SpA	100%
Orbit Garant Drilling Ghana Limited	100%
Cygnus-Orbit Drilling SpA	100%
Captagua Ingeniería S.A. (since December 30, 2015)	100%

2. BUSINESS ACQUISITION

Acquisition of Captagua Ingeniería S.A.:

On December 30, 2015, the Company acquired all issued and outstanding shares of Captagua Ingeniería S.A., which provides an expertise in drilling and a presence in Chile, a major mining jurisdiction. This acquisition is expected to enhance the Company's platform for future growth in Chile and throughout South America. Captagua Ingeniería S.A. has an experienced management team, highly skilled personnel and a strong reputation in the Chilean market. The purchase price for the transaction was a total net consideration of $1,936 through the issuance of 1,824,900 common shares of the Company valued at a price of $0.70 per share at the acquisition date and an adjustment of an amount of approximately $659 to be paid when the acquired company will receive the reimbursement of income tax receivable. The total assets acquired totaled an approximate amount of $11,175 and the total liabilities assumed totalled an approximate amount of $9,239. During the quarter, the purchase price allocation was updated to reflect the factoring liabilities that was initially netted against accounts receivable as it did not meet the criteria to be shown net of accounts receivable. Management expects to finalize the purchase price allocation by the end of the fiscal year ending June 30, 2016.

The results of operations of Captagua Ingeniería S.A. are included in the interim condensed consolidated financial statements from December 30, 2015.

3. BASIS OF PREPARATION

Basis of presentation

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting,* ("IAS 34"). The IFRS accounting policies that are set out in Note 5 to the Company's annual audited consolidated statements for the year ended June 30, 2015 were consistently applied to all periods presented. These interim condensed consolidated financial statements have not been subject to a review engagement by the Company's external auditors.

3. BASIS OF PREPARATION (continued)

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 6 in the Company's annual audited consolidated financial statements for the year ended June 30, 2015. They remained unchanged for the three and nine-month periods ended March 31, 2016.

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except for the contingent liabilities and investments, 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 operates ("functional currency"). All values are rounded to the nearest thousand dollars, except where otherwise indicated.

These interim condensed consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's 2015 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 11, 2016.

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 period are included in the interim condensed 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.

4. RECENT ACCOUNTING PRONOUNCEMENT

The Company has not early adopted the following new standards and adoption impacts on the interim condensed 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.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, *Revenue* , IAS 11, *Construction Contracts* , and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 is effective from periods beginning January 1, 2018, with early adoption permitted.

4. RECENT ACCOUNTING PRONOUNCEMENT (continued)

IAS 16 – Property, Plant and Equipment

IAS 16 prohibits entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 16 are effective from periods beginning January 1, 2016, with early adoption permitted.

IAS 38 – Intangible Assets

IAS 38 introduces a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset, except in two limited circumstances. The amendments to IAS 38 are effective from periods beginning January 1, 2016, with early adoption permitted.

IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures

The amendment entitled *"Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"* specifies the treatment to be adopted when an entity sells or contributes assets that constitute a business to a joint venture or an associate or loses control of a subsidiary that contains a business but it retains joint control or significant influence, the gain or loss resulting from that transaction is recognized in full. When an entity sells or contributes assets that do not constitute a business to a joint venture or associate or loses control of a subsidiary that does not contain a business but it retains joint control or significant influence in a transaction involving an associate or a joint venture, the gain or loss resulting from that transaction is recognized only to the extent of the unrelated investors' interest in the joint venture or associate, the entity's share of the gain or loss is eliminated. The amendments to IFRS 10 are effective from periods beginning January 1, 2016, with early adoption permitted.

IAS 1 – Presentation of Financial Statements

The amendment entitled "Disclosure Initiative" comprises several narrow-scope amendments to improve presentation and disclosure requirements in existing standards. The amendments to IAS 1 are effective from periods beginning January 1, 2016, with early adoption permitted.

IAS 7 – Statement of cash flows

The amendment entitled "Disclosure initiative - Reconciliation of liabilities from financing activities" comprises amendments to provide investors with improved disclosures about an entity's debt and movements in debt during the reporting period and its liquidity. The amendments to IAS 7 are effective from periods beginning January 1, 2017 without need to provide comparative information when they first apply the amendments, with early adoption permitted.

IAS 12 – Income taxes

The amendment entitled "Recognition of Deferred Tax Assets for Unrealized Losses" comprises amendments to give guidance that clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments to IAS 12 are effective from periods beginning January 1, 2017, with early adoption permitted.

IFRS 16 – Leases

IFRS 16 specifies the new approach to lease accounting that requires a lessee to recognize assets and liabilities for the rights and obligations created by leases. IFRS 16 is effective from periods beginning January 1, 2019, with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is applied.

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

4. RECENT ACCOUNTING PRONOUNCEMENT (continued)

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, 2016 and thereafter, with an earlier application permitted:

Annual improvements to IFRS (2012-2014 Cycle), which include among others:

Amendments to IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations* , introduce guidance for when an entity reclassifies an asset (or disposal group) from held-for-sale to held-for-distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued.

Amendments to IFRS 7, *Financial Instruments: Disclosure* , provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets, and guidance as to whether the disclosure requirements on offsetting financial assets and financial liabilities should be included in interim condensed consolidated financial statements.

Amendments to IAS 34, *Interim Financial Reporting* , clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim condensed consolidated financial statements to the other part of the interim condensed consolidated financial report that is available to users on the same terms and at the same time as the interim condensed consolidated financial statements.

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

5. EXPENSES BY NATURE

Detail of the depreciation and amortization expenses

The depreciation expense of property, plant and equipment and the amortization expense of intangible assets has been charged to the interim condensed consolidated statements of loss and comprehensive loss as follows:

	March 31 2016 (3 months)	March 31 2015 (3 months)	March 31 2016 (9 months)	March 31 2015 (9 months)
	$	$	$	$
Cost of contract revenue	2,851	2,171	7,024	6,693
General and administrative expenses	372	407	1,145	1,222
Total depreciation and amortization	3,223	2,578	8,169	7,915

Principal expenses by nature

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

	March 31 2016 (3 months)	March 31 2015 (3 months)	March 31 2016 (9 months)	March 31 2015 (9 months)
	$	$	$	$
Depreciation and amortization	3,223	2,578	8,169	7,915
Employee benefits expense	16,155	10,684	39,684	31,317
Cost of inventory	5,975	4,958	16,389	14,240
Other expenses	5,896	3,020	15,248	9,553
Total cost of contract revenue, general and administrative expenses, foreign exchange (gain) loss and finance costs	31,249	21,240	79,490	63,025

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

6. INVESTMENTS

Changes in investments were as follows:

	Nine-month period ended March 31 2016	Year ended June 30 2015
	$	$
Investments in public companies, beginning of the period	424	300
Acquisitions of investments	-	135
Disposal of investments	(20)	(11)
Investments in public companies, end of the period	404	424

The gain on disposal of investments totalling $3 for the nine-month period ended March 31, 2016 is included in general and administrative expenses ($31 for the nine-month period ended March 31, 2015).

7. PROPERTY, PLANT AND EQUIPMENT

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

	March 31 2016 (3 months)	March 31 2015 (3 months)	March 31 2016 (9 months)	March 31 2015 (9 months)
	$	$	$	$
Acquisition of property, plant and equipment	1,484	860	4,690	2,418
Proceed from disposal of property, plant and equipment	264	70	350	313
Gain on disposal of property, plant and equipment	238	10	262	16

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

8. LONG-TERM DEBT AND FINANCE LEASE

	March 31 2016	June 30 2015
	$	$
Loan authorized for a maximum amount of $25 million ($30 million before December 19, 2014), bearing interest at prime rate plus 0.5%, effective rate as at March 31, 2016 3.20%, maturing December 2017, secured by first rank hypothec on the universality of all present and future assets (a) (b)	8,784	7,448
Finance lease, bearing interest between 3.34% and 29.02%, maturing December 2020	2,234	-
	11,018	7,448
Current portion of finance lease	(1,024)	-
	9,994	7,448

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

8. LONG-TERM DEBT AND FINANCE LEASE (continued)

(a) The rate is variable based on the quarterly calculation of a financial ratio and can vary from prime rate plus 0.50% to 2.25% (0.50% to 2.00% before December 19, 2014).

(b) An unamortized amount of $116 ($152 as at June 30, 2015), 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 9). As at March 31, 2016, the Company was compliant with its financial covenants.

On March 31, 2016, the prime rate was 2.7% (2.85% as at June 30, 2015).

As at March 31, 2016, principal payments required in the next years are as follows:

	Loan	Finance lease	Total
	$	$	$
Not more than one year	-	1,024	1,024
Later than one year and not later than five years	8,900	1,210	10,110
	8,900	2,234	11,134

Minimum lease payments are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	March 31 2016	June 30 2015	March 31 2016	June 30 2015
	$	$	$	$
Not more than one year	1,138	-	1,024	-
Later than one year and not later than five years	1,278	-	1,210	-
	2,416	-	2,234	-
Less: future finance charges	(182)	-	-	-
Present value of minimum lease payments	2,234	-	2,234	-

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

As at March 31, 2016	Total	Not more than one year	Later than one but not later than five years
	$	$	$
CAN	8,900	-	8,900
Chilean Pesos (CLP)	2,234	1,024	1,210
	11,134	1,024	10,110

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

9. 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 2016	June 30 2015
	$	$
Long-term debt and finance lease	11,018	7,448
Share capital	55,688	54,411
Equity settled reserve	1,601	1,458
Retained earnings	17,135	21,750
Cash	(1,463)	(396)
	83,979	84,671

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

Under the terms of certain of the Company's debt agreements, the Company must satisfy certain financial covenants, such as Senior debt to earnings before income taxes, interest, depreciation and amortization ratio, Senior debt to capitalization ratio and fixed charge coverage ratio. Such agreements also limit, among other things, the Company's ability to incur additional indebtedness, create liens, engage in mergers or acquisitions and make dividend and other payments. As at March 31, 2016, as mentioned in Note 8, the Company complied with its covenants. As at June 30, 2015, the Company was compliant with its covenants.

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

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

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

10. SHARE CAPITAL

Authorized, an unlimited number of common and preferred shares:

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

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

Common shares	Nine-month period ended March 31, 2016		Year ended June 30, 2015	
	Number of shares	$	Number of shares	$
Balance, beginning of the period	33,276,519	54,411	33,276,519	54,411
Shares issued for business acquisition [a]	1,824,900	1,277	-	-
Balance, end of the period	35,101,419	55,688	33,276,519	54,411

[a] As at December 30, 2015, the Company issued a total of 1,824,900 common shares for a total amount of $1,277 as part of the consideration for the acquisition of Captagua Ingeniería S.A. (see Note 2).

Loss per share

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

Loss per share - basic	March 31 2016 (3 months)	March 31 2015 (3 months)	March 31 2016 (9 months)	March 31 2015 (9 months)
Loss available to common shareholders	(2,566) $	(2,018) $	(4,615) $	(5,404) $
Weighted average basic number of common shares outstanding	35,101,419	33,276,519	33,887,031	33,276,519
Loss per share - basic	(0.07) $	(0.06) $	(0.13) $	(0.16) $

Loss per share - diluted	March 31 2016 (3 months)	March 31 2015 (3 months)	March 31 2016 (9 months)	March 31 2015 (9 months)
Loss available to common shareholders	(2,566) $	(2,018) $	(4,615) $	(5,404) $
Weighted average basic number of common shares outstanding	35,101,419	33,276,519	33,887,031	33,276,519
Adjustment to average number of common shares - stock options	-	-	-	-
Weighted average diluted number of common shares outstanding	35,101,419	33,276,519	33,887,031	33,276,519
Loss per share - diluted	(0.07) $	(0.06) $	(0.13) $	(0.16) $

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

10. 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, 2016 (9 months)		March 31, 2015 (9 months)	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Outstanding at the beginning of the period	2,226,500	1.35	3,763,500	2.72
Granted during the period	732,000	0.70	75,000	1.35
Cancelled during the period	(81,000)	2.26	(244,500)	3.66
Outstanding at end of the period	2,877,500	1.16	3,594,000	2.62
Exercisable at end of the period	1,561,000	1.27	2,575,000	2.81

On January 20, 2016, 732,000 stock options have been granted to employees and directors giving the option to purchase a common share for an exercice price of $0.70 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 following table summarizes information on stock options outstanding at March 31, 2016:

Range of exercise price $	Outstanding at March 31, 2016	Weighted average remaining life (years)	Weighted average exercise price $	Exercisable at March 31, 2016	Weighted average exercise price $
0.50 - 2.40	2,860,000	3.71	1.14	1,543,500	1.24
2.40 - 4.30	17,500	2.44	4.00	17,500	4.00
	2,877,500			1,561,000	

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

	March 31 2016 (3 months)	March 31 2015 (3 months)	March 31 2016 (9 months)	March 31 2015 (9 months)
	$	$	$	$
Expense related to share-based compensation	51	92	143	365

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

11. INCOME TAXES

The tax rates prescribed by the applicable laws are at 26.63% in 2015 and at 26.75% in 2014.

	March 31 2016 (3 months)	March 31 2015 (3 months)	March 31 2016 (9 months)	March 31 2015 (9 months)
	$	$	$	$
Loss before income taxes	(3,172)	(2,528)	(5,424)	(6,852)
Statutory rates	26.63%	26.75%	26.63%	26.75%
Income taxes recovery based on statutory rates	(845)	(676)	(1,444)	(1,833)
Increase (decrease) of income taxes due to the following:				
Non-deductible expenses and other	12	46	90	53
Non-deductible share-based compensation expense	14	24	38	98
Non-deductible reversal of contingent consideration	-	-	-	(40)
Effect of corporate tax rate modification	-	96	-	183
Prior year adjustments	-	-	(12)	90
Change in fair value of contingent considerations	-	-	-	1
Income tax assets not recognized	213	-	519	-
Total income taxes recovery	(606)	(510)	(809)	(1,448)

12. ADDITIONAL INFORMATION RELATING TO THE STATEMENTS OF CASH FLOWS

Changes in non-cash operating working capital items:

	March 31 2016 (3 months)	March 31 2015 (3 months)	March 31 2016 (9 months)	March 31 2015 (9 months)
	$	$	$	$
Accounts receivable	893	(1,911)	2,657	(553)
Inventories	253	206	(3,143)	1,490
Prepaid expenses	994	(447)	1,128	(249)
Accounts payable and accrued liabilities	(233)	2,876	829	2,100
	1,907	724	1,471	2,788

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

13. COMMITMENTS

The Company has entered into operating lease agreements expiring in 2020 which call for lease payments of $119 for the rental of vehicles. The Company has also entered into lease agreements for offices expiring in 2021 for minimum lease payments of $1,615. 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:

	$
2017	343
2018	350
2019	402
2020	380
2021	259

14. 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 in Chilean Pesos and is thus exposed to foreign exchange fluctuations. The Company does not actively manage this risk. As at March 31, 2016, the Company has cash in US dollars for an amount of $499 (June 30, 2015, $244) and accounts receivable in US dollars for an amount of $1,091 (June 30, 2015, $250). The Company has cash in Chilean Pesos for an amount of 314,939,718 (June 30, 2015, 43,635,125) and accounts receivable in Chilean Pesos for an amount of 1,335,902,280 (June 30, 2015, 244,153,954).

As at March 31, 2016, the Company has estimated that a 10% increase or decrease of the US exchange rate would have caused a corresponding increase or decrease in net loss and comprehensive loss for the nine-month period of approximately $130 (for the year ended June 30, 2015, $44) and a 10% increase or decrease of the Chilean Pesos exchange rate would have caused a corresponding increase or decrease in net loss and comprehensive loss for the nine-month period of approximately $158 (for the year ended June 30, 2015, $20).

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, 2016, the amount of the insurance coverage from EDC represents approximately 5% of the accounts receivable (nil% as at June 30, 2015).

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

14. FINANCIAL INSTRUMENTS (continued)

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

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

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

	March 31 2016 (3 months)	March 31 2015 (3 months)	March 31 2016 (9 months)	March 31 2015 (9 months)
	$	$	$	$
Balance at beginning of the period	1,497	1,134	1,010	1,126
Change in allowance, other than write-offs and recoveries	88	281	579	289
Write-offs of trade receivables	(298)	(101)	(298)	(101)
Recoveries	-	(437)	(4)	(437)
Balance at end of the period	1,287	877	1,287	877

As at March 31, 2016, 64% (June 30, 2015: 42%) of the trade accounts receivable are aged as current and 6% are impaired (June 30, 2015: 5%).

One major customer represents 14% of the trade accounts receivable as at March 31, 2016 (June 30, 2015, one major customer represents 25% of these accounts).

Three major customers represent 45% of the contract revenue for the three-month period ended March 31, 2016 (three-month period ended March 31, 2015, three major customers represent 33%).

Two major customers represent 39% of the contract revenue for the nine-month period ended March 31, 2016 (nine-month period ended March 31, 2015, three major customers represent 36%).

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, 2016, the Company has estimated that a 1% point increase or decrease in interest rates would have caused a corresponding increase or decrease in net loss for the nine-month period of approximately $65 (for the year ended June 30, 2015, $56).

Equity market risk

Equity market risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors the general trends in the stock markets and individual equity movements, and determines the appropriate course of actions to be taken by the Company.

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

14. FINANCIAL INSTRUMENTS (continued)

Fair value

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

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.

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.

The investments are classified as a Level 2 financial instrument as the fair value is determined using other inputs than quoted prices in the active markets.

The changes in the contingent considerations are detailed below:

	March 31 2016 (3 months)	March 31 2015 (3 months)	March 31 2016 (9 months)	March 31 2015 (9 months)
	$	$	$	$
Balance at beginning of the period	-	-	-	146
Change in fair value of contingent considerations	-	-	-	4
Reversal of contingent consideration	-	-	-	(150)
Balance at end of the period	-	-	-	-

There were no transfers of amounts between Level 1, Level 2 and Level 3 financial instruments for the periods ended March 31, 2016 and June 30, 2015.

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.

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

14. FINANCIAL INSTRUMENTS (continued)

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. In Note 9 are details of undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

The Company enters into receivable purchase agreements (commonly referred to a "factoring agreements") with different banks as part of its normal working capital financing. The Company receives 100% of the value of the specific sales invoice less a charge between 0.46% and 0.52%. As at March 31, 2016, trade receivables include $2,088 related to factored accounts ($nil as at June 30, 2015).

				As at March 31, 2016
	Total	0 -1 year	2 - 3 years	4 - 5 years
	$	$	$	$
Accounts payable and accrued liabilities	16,701	16,701	-	-
Factoring liabilities	2,088	2,088	-	-
Long-term debt (capital only)	8,900	-	8,900	-
Finance lease	2,234	1,024	1,210	-
	29,923	19,813	10,110	-

15. SEGMENTED INFORMATION

The Company's operation is separated into two geographical reportable 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 segments, based on destination of contracts or profits. Data by geographical areas follow the same accounting rules as those used for the consolidated accounts. Transfers between segments are carried out at market prices.

Operational sectors are presented using the same criteria as for the production of the internal report to the chief operating decision maker, who allocates the resources and evaluates the performance of the operational sectors. The chief operating decision maker is considered as the President and Chief Executive Officer, who evaluates the performance of both operating segments by the revenues of ordinary course activities from external clients and earnings (loss) from operation.

As of July 1, 2015, the Company revised its reporting information to reflect the changes made to its internal reporting structure and the way the chief operating decision maker evaluates the performance of the segments, and changed its measure of profit or loss for its reportable segments by replacing the gross profit by earning (loss) from operation. This change did not have any impact on the Company's interim condensed consolidated financial statements, other than on its segment disclosures.

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

15. SEGMENTED INFORMATION (continued)

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

	March 31 2016 (3 months)	March 31 2015 (3 months) (Reclassified)	March 31 2016 (9 months)	March 31 2015 (9 months) (Reclassified)
	$	$	$	$
Contract revenue				
Canada	21,357	17,776	65,353	54,450
International	6,720	936	8,713	1,723
	28,077	18,712	74,066	56,173
Profit (loss) from operation				
Canada	(179)	(432)	2,470	(728)
International	(1,218)	(1,503)	(3,904)	(3,681)
	(1,397)	(1,935)	(1,434)	(4,409)
General and corporate expenses [1]	1,517	458	3,512	2,035
Finance costs	258	135	478	408
Income taxes recovery	(606)	(510)	(809)	(1,448)
	1,169	83	3,181	995
Loss	(2,566)	(2,018)	(4,615)	(5,404)

[1] General and corporate expenses include expenses for corporate offices, stock options and certain unallocated costs.

	March 31 2016 (3 months)	March 31 2015 (3 months)	March 31 2016 (9 months)	March 31 2015 (9 months)
Depreciation and amortization				
Canada	1,780	1,898	5,396	5,902
International	1,071	273	1,628	791
Unallocated and corporate assets	372	407	1,145	1,222
	3,223	2,578	8,169	7,915

	As at March 31, 2016	As at June 30, 2015
	$	$
Identifiable assets		
Canada	78,249	82,402
International	25,982	14,963
	104,231	97,365
Property, plant and equipment		
Canada	31,789	35,999
International	6,658	3,706
	38,447	39,705