



**Unaudited Interim Condensed Consolidated
Financial Statements**

Third Quarter Fiscal 2017

(For the three and nine-month periods ended March 31, 2017 and 2016)

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**

For the three and nine-month periods ended March 31, 2017 and 2016

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

(Unaudited)

	Notes	March 31 2017 (3 months) \$	March 31 2016 (3 months) \$	March 31 2017 (9 months) \$	March 31 2016 (9 months) \$
Contract revenue	15	29,898	28,077	87,820	74,066
Cost of contract revenue	5	28,727	26,745	82,244	68,158
Gross profit		1,171	1,332	5,576	5,908
Expenses					
General and administrative expenses	5	3,760	3,912	11,119	10,548
Foreign exchange loss (gain)	5	103	334	(119)	306
Finance costs	5	271	258	698	478
		4,134	4,504	11,698	11,332
Loss before income taxes		(2,963)	(3,172)	(6,122)	(5,424)
Income taxes (recovery)	11				
Current		140	(92)	215	(261)
Deferred		(937)	(514)	(2,020)	(548)
		(797)	(606)	(1,805)	(809)
Net loss attributable to shareholders		(2,166)	(2,566)	(4,317)	(4,615)
Net loss per share attributable to shareholders	10				
Basic and diluted		(0.06)	(0.07)	(0.12)	(0.13)

ORBIT GARANT DRILLING INC.**Interim condensed consolidated statements of comprehensive loss**

For the three and nine-month periods ended March 31, 2017 and 2016

(in thousands of Canadian dollars)

(Unaudited)

	Notes	March 31 2017 (3 months) \$	March 31 2016 (3 months) \$	March 31 2017 (9 months) \$	March 31 2016 (9 months) \$
Net loss		(2,166)	(2,566)	(4,317)	(4,615)
Other comprehensive loss					
Items that will be reclassified subsequently to net loss :					
Unrealized loss on available-for-sale investments	6	(3)	-	(19)	-
Deferred income tax		-	-	3	-
		(3)	-	(16)	-
Cumulative translation adjustments		13	-	(16)	-
Other comprehensive loss, net of income tax		10	-	(32)	-
Comprehensive loss attributable to shareholders		(2,156)	(2,566)	(4,349)	(4,615)

ORBIT GARANT DRILLING INC.

Interim condensed consolidated statements of changes in equity

For the nine-month periods ended March 31, 2017 and 2016

(in thousands of Canadian dollars)

(Unaudited)

Nine-month period ended March 31, 2017					Total
	Share capital	Equity settled reserve	Retained Earnings	Accumulated other comprehensive income	Shareholders' Equity
	\$	\$	\$	\$	\$
	(Note 10)	(Note 10)			
Balance as of July 1, 2016	55,688	1,468	21,720	195	79,071
Total comprehensive loss					
Net loss	-	-	(4,317)	-	(4,317)
Other comprehensive loss:					
Unrealized loss on available-for-sale investments, net of deferred income tax	-	-	-	(16)	(16)
Cumulative translation adjustments	-	-	-	(16)	(16)
Other comprehensive loss	-	-	-	(32)	(32)
Transactions with owners, recorded directly in equity:					
Issuance of shares related to share-based compensation	1,440	(448)	-	-	992
Share-based compensation	-	161	-	-	161
Stock option cancelled	-	(43)	43	-	-
Total transactions with owners	1,440	(330)	43	-	1,153
Balance as of March 31, 2017	57,128	1,138	17,446	163	75,875
Nine-month period ended March 31, 2016					Total
	Share capital	Equity settled reserve	Retained Earnings	Accumulated other comprehensive income	Shareholders' Equity
	\$	\$	\$	\$	\$
	(Note 10)	(Note 10)			
Balance as of July 1, 2015	54,411	1,458	21,750	-	77,619
Total comprehensive loss					
Net loss	-	-	(4,615)	-	(4,615)
Transactions with owners, recorded directly in equity:					
Issuance of shares related to business acquisition	1,277	-	-	-	1,277
Share-based compensation	-	143	-	-	143
Total transactions with owners	1,277	143	-	-	1,420
Balance as of March 31, 2016	55,688	1,601	17,135	-	74,424

ORBIT GARANT DRILLING INC.

Interim condensed consolidated statements of financial position

As of March 31, 2017 and June 30, 2016

(in thousands of Canadian dollars)

(Unaudited)

	Notes	March 31 2017	June 30 2016
		\$	\$
ASSETS			
Current assets			
Cash		1,558	2,293
Trade and other receivables	14	24,143	21,339
Inventories		42,598	35,289
Income taxes receivable		743	1,058
Prepaid expenses		564	568
		69,606	60,547
Non-current assets			
Loan receivable	10	1,241	-
Investments	6	664	709
Property, plant and equipment	7	39,568	42,978
Deferred tax assets	11	2,952	930
Total assets		114,031	105,164
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		19,128	15,362
Factoring liabilities		657	1,395
Current portion of long-term debt and finance leases	8	15,983	889
		35,768	17,646
Non-current liabilities			
Long-term debt and finance leases	8	2,388	8,447
		38,156	26,093
EQUITY			
Share capital	10	57,128	55,688
Equity settled reserve	10	1,138	1,468
Retained earnings		17,446	21,720
Accumulated other comprehensive income		163	195
Equity attributable to shareholders		75,875	79,071
Total liabilities and equity		114,031	105,164

APPROVED BY THE BOARD

Éric Alexandre, Director

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, 2017 and 2016

(in thousands of Canadian dollars)

(Unaudited)

	Notes	March 31 2017 (3 months) \$	March 31 2016 (3 months) \$	March 31 2017 (9 months) \$	March 31 2016 (9 months) \$
OPERATING ACTIVITIES					
Loss before income taxes		(2,963)	(3,172)	(6,122)	(5,424)
Items not affecting cash:					
Depreciation of property, plant and equipment	5	2,231	3,077	7,410	7,731
Amortization of intangible assets		-	146	-	438
Gain on disposal of property, plant and equipment	7	(85)	(238)	(85)	(262)
Gain on disposal of investments	6	-	-	(266)	(3)
Share-based compensation	10	59	51	161	143
Finance costs		271	258	698	478
		(487)	122	1,796	3,101
Changes in non-cash operating working capital items	12	(6,086)	1,907	(6,701)	1,471
Income taxes recovered		263	290	100	1,132
Finance costs paid		(254)	(239)	(660)	(443)
		(6,564)	2,080	(5,465)	5,261
INVESTING ACTIVITIES					
Proceeds from disposal of investments	6	-	-	352	23
Acquisition of property, plant and equipment	7	(1,351)	(1,484)	(4,989)	(4,690)
Proceeds from disposal of property, plant and equipment	7	305	264	1,172	350
		(1,046)	(1,220)	(3,465)	(4,317)
FINANCING ACTIVITIES					
Proceeds from issuance of shares		50	-	50	-
Proceeds from factoring		1,436	3,657	3,578	3,657
Repayment on factoring		(1,899)	(4,838)	(4,316)	(4,838)
Proceeds from long-term debt and finance leases		17,600	19,604	64,744	51,483
Repayment of long-term debt and finance leases		(11,771)	(18,466)	(55,748)	(50,181)
		5,416	(43)	8,308	121
Effect of exchange rate changes		9	4	(113)	2
Increase (decrease) in cash		(2,185)	821	(735)	1,067
Cash, beginning of the period		3,743	642	2,293	396
Cash, end of the period		1,558	1,463	1,558	1,463

ORBIT GARANT DRILLING INC.

Notes to interim condensed consolidated financial statements

For the three and nine-month periods ended March 31, 2017 and 2016

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

(Unaudited)

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, West Africa and Kazakhstan.

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%
Orbit Garant Chile S.A.	100%
Perforación Orbit Garant Chile SpA	100%
Cygnus-Orbit Drilling SpA (wound up into Perforación Orbit Garant Chile SpA as of December 31, 2016)	100%
Orbit Garant Drilling Ghana Limited	100%
Perforación Orbit Garant Peru S.A.C.	100%
OGD Drilling (Guyana) Inc. (since August 16, 2016)	100%
Forage Orbit Garant BF S.A.S. (since October 24, 2016)	100%

2. 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, 2016 were consistently applied to all periods presented, other than noted in note 3. These interim condensed consolidated financial statements have not been subject to a review engagement by the Company's independent 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, 2016. They remained unchanged for the three and nine-month periods ended March 31, 2017.

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except for the 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 2016 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 10, 2017.

ORBIT GARANT DRILLING INC.

Notes to interim condensed consolidated financial statements

For the three and nine-month periods ended March 31, 2017 and 2016

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

(Unaudited)

2. BASIS OF PREPARATION (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 are considered when the Company controls another entity.

Income and expenses of subsidiaries acquired or disposed of during a 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.

3. STANDARDS AND INTERPRETATIONS ADOPTED

The following standards and amendments to existing standards have been adopted by the Company on July 1, 2016:

IAS 16 – Property, Plant and Equipment

IAS 16 prohibits entities from using a revenue-based depreciation method for items of property, plant and equipment.

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.

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.

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.

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 consolidated financial statements.

ORBIT GARANT DRILLING INC.

Notes to interim condensed consolidated financial statements

For the three and nine-month periods ended March 31, 2017 and 2016

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

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3. STANDARDS AND INTERPRETATIONS ADOPTED (continued)

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 standards and amendments listed above did not have any impact on the Company's interim condensed consolidated financial statements.

4. RECENT ACCOUNTING PRONOUNCEMENT

The Company has not early adopted the following new standards that have been issued, but are not yet effective:

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 years 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 years beginning January 1, 2018, 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 years 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 years 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 years beginning January 1, 2019, with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is applied.

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

ORBIT GARANT DRILLING INC.

Notes to interim condensed consolidated financial statements

For the three and nine-month periods ended March 31, 2017 and 2016

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

(Unaudited)

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 have been charged to the interim condensed consolidated statement of loss as follows:

	March 31 2017 (3 months)	March 31 2016 (3 months)	March 31 2017 (9 months)	March 31 2016 (9 months)
	\$	\$	\$	\$
Cost of contract revenue	2,016	2,851	6,779	7,024
General and administrative expenses	215	372	631	1,145
Total depreciation and amortization	2,231	3,223	7,410	8,169

Principal expenses by nature

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

	March 31 2017 (3 months)	March 31 2016 (3 months)	March 31 2017 (9 months)	March 31 2016 (9 months)
	\$	\$	\$	\$
Depreciation and amortization	2,231	3,223	7,410	8,169
Employee benefits expense	16,767	16,155	48,253	39,684
Cost of inventory	6,831	5,975	20,618	16,389
Other expenses	7,032	5,896	17,661	15,248
Total cost of contract revenue, general and administrative expenses, foreign exchange gain and finance costs	32,861	31,249	93,942	79,490

6. INVESTMENTS

Changes in investments were as follows:

	Nine-month period ended March 31 2017	Year ended June 30 2016
	\$	\$
Investments in public companies, beginning of the period	709	424
Conversion of accounts receivable	60	-
Disposal of investments	(86)	(51)
Change in fair value of available for sale investments	(19)	336
Investments in public companies, end of the period	664	709

The gain on disposal of investments totalling \$266 for the nine-month period ended March 31, 2017 is included in general and administrative expenses (\$3 for the nine-month period ended March 31, 2016).

ORBIT GARANT DRILLING INC.

Notes to interim condensed consolidated financial statements

For the three and nine-month periods ended March 31, 2017 and 2016

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

(Unaudited)

7. PROPERTY, PLANT AND EQUIPMENT

Changes in the property, plant and equipment balance were as follows for the periods :

	March 31 2017 (3 months)	March 31 2016 (3 months)	March 31 2017 (9 months)	March 31 2016 (9 months)
	\$	\$	\$	\$
Acquisition of property, plant and equipment	1,351	1,484	4,989	4,690
Proceed from disposal of property, plant and equipment	(305)	(264)	(1,172)	(350)
Gain on disposal of property, plant and equipment	85	238	85	262

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 2017	June 30 2016
	\$	\$
Loan authorized for a maximum amount of \$25 million, bearing interest at prime rate plus 2.00%, effective rate as at March 31, 2017 4.70%, maturing December 2017, secured by first rank hypothec on the universality of all present and future assets (a) (b) (c)	14,756	7,403
Loan authorized for an amount of \$2.5 million, bearing interest at prime rate plus 4.50%, effective rate as at March 31, 2017 7.20%, payable in monthly instalments of \$52 as from June 2017, maturing December 2020, secured by second rank hypothec on the universality of all present and future assets (b)	2,485	-
Finance leases, bearing interest between 3.34% and 9.77% (June 30, 2016: 3.34% and 29.02%), maturing December 2020	1,130	1,933
	18,371	9,336
Current portion	(15,983)	(889)
	2,388	8,447

(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%.

(b) An unamortized amount of \$59 (\$97 as at June 30, 2016), 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.

(c) The Company provided a letter of credit to a bank of one of its subsidiaries of US\$1.0 million (or approximately CAN\$1.3 million) from the credit facility. The purpose of the letter of credit is to provide performance bonds to secure drilling contracts with some of its customers.

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, 2017, the Company was compliant with its financial covenants.

On March 31, 2017, the prime rate was 2.70% (2.70% as at June 30, 2016).

ORBIT GARANT DRILLING INC.

Notes to interim condensed consolidated financial statements

For the three and nine-month periods ended March 31, 2017 and 2016

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

(Unaudited)

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

As at March 31, 2017, principal payments required in the next years are as follows:

	Loan	Finance lease	Total
	\$	\$	\$
Not more than one year	15,321	721	16,042
Later than one year and not later than five years	1,979	409	2,388
	17,300	1,130	18,430

Minimum lease payments are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	March 31	March 31	March 31	March 31
	2017	2016	2017	2016
	\$	\$	\$	\$
Not more than one year	765	1,138	721	1,024
Later than one year and not later than five years	424	1,278	409	1,210
	1,189	2,416	1,130	2,234
Less: future finance charges	(59)	(182)	-	-
Present value of minimum lease payments	1,130	2,234	1,130	2,234

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

As at March 31, 2017	Total	Not more than one year	Later than one but not later than five years
	\$	\$	\$
CAN	17,435	15,351	2,084
Chilean Pesos (CLP495,085,651)	995	690	305
	18,430	16,041	2,389

ORBIT GARANT DRILLING INC.

Notes to interim condensed consolidated financial statements

For the three and nine-month periods ended March 31, 2017 and 2016

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

(Unaudited)

9. CAPITAL MANAGEMENT

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

Total managed capital was as follows:

	March 31 2017	June 30 2016
	\$	\$
Long-term debt and finance leases	18,371	9,336
Share capital	57,128	55,688
Equity settled reserve	1,138	1,468
Retained earnings	17,446	21,720
Cash	(1,558)	(2,293)
	92,525	85,919

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, 2017, as mentioned in Note 8, the Company complied with its covenants (June 30, 2016: the Company was compliant with its financial 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 regard to capital management remain unchanged from the prior year.

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.

	Nine-month period ended March 31, 2017		Year ended June 30, 2016	
	Number of shares	\$	Number of shares	\$
Balance, beginning of the period	35,101,419	55,688	33,276,519	54,411
Shares issued:				
For stock option exercised ^(a)	992,000	1,440	-	-
For business acquisition ^(b)	-	-	1,824,900	1,277
Balance, end of the period	36,093,419	57,128	35,101,419	55,688

ORBIT GARANT DRILLING INC.

Notes to interim condensed consolidated financial statements

For the three and nine-month periods ended March 31, 2017 and 2016

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

(Unaudited)

10. SHARE CAPITAL (continued)

- (a) On February 28, 2017, the Company granted a loan maturing not later than February 28, 2019, for the amount of \$1,237 to a key management in connection with the exercise of options to purchase 942,000 shares. The loan shall bear interest at the rate of 4% annually and is secured by a pledge of the shares and a guarantee from 6707550 Canada Inc.
- (b) 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.

Net loss per share

Diluted net 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 net loss per share as their inclusion would be anti-dilutive.

	March 31 2017 (3 months)	March 31 2016 (3 months)	March 31 2017 (9 months)	March 31 2016 (9 months)
Net loss per share - basic and diluted				
Net loss available to common shareholders	(2,166) \$	(2,566) \$	(4,317) \$	(4,615) \$
Weighted average basic number of common shares outstanding	35,733,757	35,101,419	35,309,122	33,887,031
Net loss per share - basic and diluted	(0.06) \$	(0.07) \$	(0.12) \$	(0.13) \$

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

	March 31, 2017 (9 months)		March 31, 2016 (9 months)	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of the period	2,877,500	\$ 1.16	2,226,500	\$ 1.35
Granted during the period	500,000	1.75	732,000	0.70
Exercised during the period	(992,000)	1.02	732,000	0.70
Cancelled during the period	(30,000)	1.44	(81,000)	2.26
Outstanding at end of the period	2,355,500	1.35	3,609,500	1.16
Exercisable at end of the period	914,400	1.53	1,561,000	1.27

On December 6, 2016, 500,000 stock options have been granted to employees and directors giving the option to purchase a common share for an exercise price of \$1.75 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.

ORBIT GARANT DRILLING INC.

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For the three and nine-month periods ended March 31, 2017 and 2016

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

(Unaudited)

10. SHARE CAPITAL (continued)

The following table summarizes information on stock options outstanding at March 31, 2017:

Range of exercise price \$	Outstanding at March 31, 2017	Weighted average remaining life (years)	Weighted average exercise price \$	Exercisable at March 31, 2017	Weighted average exercise price \$
0.50 - 1.49	1,372,000	4.82	0.87	516,400	0.95
1.50 - 2.49	966,000	4.64	1.98	380,500	2.20
4.00	17,500	1.44	4.00	17,500	4.00
	2,355,500			914,400	

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

	Granted in December 2016	Granted in January 2016
Risk-free interest rate	0.92%	0.63%
Expected life (years)	5	5
Expected volatility (based on historical volatility)	36.00%	40.00%
Expected dividend yield	0%	0%
Fair value of options granted	\$0.58	\$0.25

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 2017 (3 months) \$	March 31 2016 (3 months) \$	March 31 2017 (9 months) \$	March 31 2016 (9 months) \$
Expense related to share-based compensation	59	51	161	143

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11. INCOME TAXES

The tax rates prescribed by the applicable laws are at 26.90% in 2016 and at 26.63% in 2015.

	March 31 2017 (3 months)	March 31 2016 (3 months)	March 31 2017 (9 months)	March 31 2016 (9 months)
	\$	\$	\$	\$
Loss before income taxes	(2,963)	(3,172)	(6,122)	(5,424)
Statutory rates	26.90%	26.63%	26.90%	26.63%
Income taxes recovery based on statutory rates	(797)	(845)	(1,647)	(1,444)
Increase (decrease) of income taxes due to the following:				
Impact of foreign tax rate differences	13	-	13	-
Non-deductible expenses and other	69	12	54	90
Non-deductible share-based compensation expense	16	14	43	38
Non taxable portion of capital gain	-	-	(39)	-
Utilization of unrecognized tax losses	(297)	-	(925)	-
Prior year adjustments	-	-	-	(12)
Income tax asset not recognized	199	213	696	519
Total income taxes recovery	(797)	(606)	(1,805)	(809)

12. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

Changes in non-cash operating working capital items:

	March 31 2017 (3 months)	March 31 2016 (3 months)	March 31 2017 (9 months)	March 31 2016 (9 months)
	\$	\$	\$	\$
Accounts receivable	(6,338)	893	(2,868)	2,657
Inventories	(2,031)	253	(7,309)	(3,143)
Prepaid expenses	(85)	994	4	1,128
Accounts payable and accrued liabilities	2,368	(233)	3,472	829
	(6,086)	1,907	(6,701)	1,471

13. COMMITMENTS AND GUARANTEES

Commitments

The Company has entered into operating lease agreements expiring in 2020 which call for lease payments of \$269 for the rental of vehicles. The Company has also entered into lease agreements for offices expiring in 2021 for minimum lease payments of \$1,243. 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 four years are detailed as follows:

	\$
2018	485
2019	388
2020	373
2021	266

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13. COMMITMENTS AND GUARANTEES (continued)

Guarantees

For the nine-month period ended March 31, 2017, the Company issued some bank guarantees in favor of customers for a total amount of \$2,888, maturing in December 2017 (June 30, 2016: \$885). For the nine-month period ended March 31, 2017, the Company has not made any payments in connection with these guarantees (nine-month period ended March 31, 2016: \$nil).

In March 2017, the Company provided a letter of credit to a bank of one of its subsidiaries of US\$1.0 million (or approximately CAN\$1.3 million) from the credit facility. The purpose of the letter of credit is to provide performance bonds to secure drilling contracts with some of its customers. As at March 31, 2017, the subsidiary did not use this guarantee to secure drilling contracts.

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, in Chilean Pesos and in GHS cedi and is thus exposed to foreign exchange fluctuations. The Company does not actively manage this risk. As at March 31, 2017, the Company has cash in US dollars for an amount of \$539 (June 30, 2016, \$1,473) and accounts receivable in US dollars for an amount of \$426 (June 30, 2016, \$640). The Company has cash in Chilean Pesos for an amount of CLP429,620,645 (June 30, 2016, CLP292,449,849) and accounts receivable in Chilean Pesos for an amount of CLP1,773,944,747 (June 30, 2016, CLP1,076,241,833). The Company has cash in GHS cedi for an amount of 69,988 (June 30, 2016, 131,758) and accounts receivable in GHS cedi for an amount of 1,290,315 (June 30, 2016, 519,382).

As at March 31, 2017, 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 loss of \$86 (June 30, 2016, \$197), a 10% increase or decrease of the Chilean Pesos exchange rate would have caused a corresponding annual increase or decrease in net loss \$236 (June 30, 2016, \$23) and a 10% increase or decrease of the GHS cedi exchange rate would have caused a corresponding annual increase or decrease in net loss of \$123 (June 30, 2016: \$66).

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, 2017, the amount of the insurance coverage from EDC represents 8% of the accounts receivable (7% as at June 30, 2016).

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.

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14. 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 2017 (3 months)	March 31 2016 (3 months)	March 31 2017 (9 months)	March 31 2016 (9 months)
	\$	\$	\$	\$
Balance at beginning of the period	1,391	1,497	1,074	1,010
Change in allowance, other than write-offs and recoveries	(2)	88	332	579
Write-offs of trade receivables	-	(298)	-	(298)
Recoveries	(3)	-	(20)	(4)
Balance at end of the period	1,386	1,287	1,386	1,287

As at March 31, 2017, 55% (June 30, 2016: 53%) of the trade accounts receivable are aged as current and 5% are impaired (June 30, 2016: 5%).

One major customer represents more than 11% of the trade accounts receivable as at March 31, 2017 (June 30, 2016, one major customer represents 10% of these accounts).

Two major customers represent 27% of the contract revenue for the three-month period ended March 31, 2017 (three-month period ended March 31, 2016, three major customers represent 45%).

Two major customers represent 28% of the contract revenue for the nine-month period ended March 31, 2017 (nine-month period ended March 31, 2016, two major customers represent 39%).

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, 2017, 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 loss of \$127 for the nine-month period (June 30, 2016, \$55).

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.

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 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.

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14. 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:

<u>Level</u>	<u>Basis for determination of fair value</u>
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, 2017, the investments are classified as a Level 1 financial instrument as the fair value is determined using quoted prices in the active markets.

There were no transfers of amounts between Level 1, Level 2 and Level 3 financial instruments for the periods ended March 31, 2017 and March 31, 2016.

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 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 as "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, 2017, trade receivables include \$657 related to factored accounts (\$1,395 as at June 30, 2016).

	As at March 31, 2017			
	Total	0 -1 year	2 - 3 years	4 - 5 years
	\$	\$	\$	\$
Accounts payable and accrued liabilities	19,128	19,128	-	-
Long-term debt (capital only)	17,300	14,800	1,771	729
Finance leases	1,130	721	360	49
	37,558	34,649	2,131	778

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15. SEGMENTED INFORMATION

The Company is separated into two geographical reportable segments: Canada and International (US, Central, South America, West Africa and Kazakhstan). 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 segments by the revenues of ordinary activities from external clients and earnings (loss) from operation.

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

	March 31 2017 (3 months) \$	March 31 2016 (3 months) \$	March 31 2017 (9 months) \$	March 31 2016 (9 months) \$
Contract revenue				
Canada	23,401	21,357	68,850	65,353
International	6,497	6,720	18,970	8,713
	29,898	28,077	87,820	74,066
Profit (loss) from operation				
Canada	(483)	(179)	(647)	2,470
International	(1,412)	(1,218)	(2,985)	(3,904)
	(1,895)	(1,397)	(3,632)	(1,434)
General and corporate expenses ⁽¹⁾	797	1,517	1,792	3,512
Finance costs	271	258	698	478
Income taxes recovery	(797)	(606)	(1,805)	(809)
	271	1,169	685	3,181
Net loss	(2,166)	(2,566)	(4,317)	(4,615)
Depreciation and amortization				
Canada	1,372	1,780	4,605	5,396
International	644	1,071	2,174	1,628
Unallocated and corporate assets	215	372	631	1,145
	2,231	3,223	7,410	8,169

⁽¹⁾ General and corporate expenses include expenses for corporate offices, stock options and certain unallocated costs.

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15. SEGMENTED INFORMATION (continued)

	As at March 31, 2017	As at June 30, 2016
	\$	\$
Identifiable assets		
Canada	85,143	76,200
International	28,888	28,964
	114,031	105,164
Property, plant and equipment		
Canada	28,868	31,477
International	10,700	11,501
	39,568	42,978