



*Audited
Consolidated Financial Statements*

FORAGE
ORBIT G GARANT
DRILLING

*For the years ended
June 30, 2012 and 2011*

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Orbit Garant Drilling Inc. (the «Company») and all the information in this annual report are the responsibility of the management of the Company. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, include management's best estimates and judgments. Management has reviewed the financial information presented throughout this report and has ensured that it is consistent with the consolidated financial statements.

Management maintains the required system of internal controls designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and the integrity and fairness of the financial information is ensured. In addition, management has reviewed the company's disclosure controls and procedures, which are designed to ensure the quality and timeliness of the disclosures made to the public.

The Board of Directors of the Company is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board of Directors carries out this responsibility principally through the Audit Committee. The Board of Directors appoints the Audit Committee, and all of the members of the Audit Committee are independent members of the Board of Directors. The Audit Committee meets periodically with management and the shareholders' auditors to review internal controls, audit results and accounting principles. Acting on the recommendation of the Audit Committee, the consolidated financial statements are forwarded to the Board of Directors of the Company for its approval.

Samson Belair/Deloitte & Touche s.e.n.c.r.l., an independent firm of chartered accountants, has been appointed to express an independent professional opinion on the fairness of the consolidated financial statements. Samson Belair/Deloitte & Touche s.e.n.c.r.l. has full and free access to the Audit Committee.



Eric Alexandre, CPA, CMA
President and Chief Executive Officer



Alain Laplante, FCPA, FCGA
Vice-President and Chief Financial Officer

Val-d'Or, Québec
September 19, 2012

Independent Auditor's Report

To the Shareholders of
Orbit Garant Drilling Inc.

We have audited the accompanying consolidated financial statements of Orbit Garant Drilling Inc., which comprise the consolidated balance sheets as at June 30, 2012, June 30, 2011 and July 1, 2010, and the consolidated statements of earnings and comprehensive earnings, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended June 30, 2012 and June 30, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Orbit Garant Drilling Inc. as at June 30, 2012, June 30, 2011 and July 1, 2010, and its financial performance and its cash flows for the years ended June 30, 2012 and June 30, 2011 in accordance with International Financial Reporting Standards.

Samsou Belaei
Deloitte & Touche s.e.m.c.l.¹

September 19, 2012

¹ CPA auditor, CA, public accountancy permit No. A104311

ORBIT GARANT DRILLING INC.**Consolidated statements of earnings and comprehensive earnings**

For the years ended June 30, 2012 and 2011

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

	Notes	June 30 2012 \$	June 30 2011 \$ (note 22)
Contract revenue	21	154,756	127,738
Cost of contract revenue	6	121,094	99,264
Gross profit		<u>33,662</u>	<u>28,474</u>
Expenses			
General and administrative expenses	6	17,104	11,563
Other expenses	6	145	41
Finance costs	6	1,331	556
		<u>18,580</u>	<u>12,160</u>
Earnings before the following items		15,082	16,314
Share in net earnings of associate	6	-	225
Gain on long-term investments	6	-	209
Earnings before income taxes		<u>15,082</u>	<u>16,748</u>
Income taxes	15		
Current		4,710	5,647
Deferred		12	(345)
		<u>4,722</u>	<u>5,302</u>
Net earnings and comprehensive earnings attributable to shareholders		<u>10,360</u>	<u>11,446</u>
Earnings per share attributable to shareholders	14		
Basic		0.31	0.35
Diluted		0.30	0.34

ORBIT GARANT DRILLING INC.

Consolidated statements of changes in equity

For the years ended June 30, 2012 and 2011

(in thousands of Canadian dollars)

	Share capital	Equity settled reserve	Retained Earnings	Total Shareholders' Equity
	\$ (note 14)	\$ (note 14)	\$	\$ (note 22)
Balance as of July 1, 2010	51,898	1,703	35,991	89,592
Net earnings and comprehensive earnings	-	-	11,446	11,446
Issuance of shares related to business acquisitions	1,482	-	-	1,482
Issuance of shares related to options exercised	6	-	-	6
Share-based compensation	-	819	-	819
Fair value of stock option exercised	-	(2)	-	(2)
Balance as of June 30, 2011	53,386	2,520	47,437	103,343
Net earnings and comprehensive earnings	-	-	10,360	10,360
Issuance of shares related to business acquisitions	989	-	-	989
Issuance of shares related to purchase financing	20	-	-	20
Issuance of shares related to options exercised	16	-	-	16
Share-based compensation	-	1,009	-	1,009
Fair value of stock option exercised	-	(5)	-	(5)
Balance as of June 30, 2012	<u>54,411</u>	<u>3,524</u>	<u>57,797</u>	<u>115,732</u>

ORBIT GARANT DRILLING INC.**Consolidated balance sheets**

As of June 30, 2012, June 30, 2011 and July 1, 2010

(in thousands of Canadian dollars)

	Notes	June 30 2012 \$	June 30 2011 \$ (note 22)	July 1 2010 \$ (note 22)
ASSETS				
Current assets				
Cash		1 959	-	8 114
Accounts receivable	20	35 765	33 865	21 188
Inventories	7	42 036	33 646	22 708
Income taxes receivable		1 503	2 412	2 351
Prepaid expenses		1 165	689	460
		<u>82 428</u>	<u>70 612</u>	<u>54 821</u>
Non-current assets				
Investments in associate	8	-	-	886
Property, plant and equipment	9	55 880	43 223	31 681
Goodwill	10	26 771	22 715	19 698
Intangible assets	11	5 072	6 086	1 374
		<u>170 151</u>	<u>142 636</u>	<u>108 460</u>
LIABILITIES				
Current liabilities				
Bank overdraft		-	698	-
Accounts payable and accrued liabilities		20 206	19 009	17 158
Contingent considerations	2	1 564	774	-
Current portion of long-term debt	12	401	168	203
		<u>22 171</u>	<u>20 649</u>	<u>17 361</u>
Non-current liabilities				
Contingent considerations	2	2 792	1 356	-
Long-term debt	12	25 971	14 673	172
Deferred tax liabilities	15	3 485	2 615	1 335
		<u>54 419</u>	<u>39 293</u>	<u>18 868</u>
EQUITY				
Share capital	14	54 411	53 386	51 898
Equity settled reserve	14	3 524	2 520	1 703
Retained earnings		57 797	47 437	35 991
Equity attributable to shareholders		<u>115 732</u>	<u>103 343</u>	<u>89 592</u>
Total liabilities and equity		<u>170 151</u>	<u>142 636</u>	<u>108 460</u>

APPROVED BY THE BOARD

(signed) Eric Alexandre, Director

(signed) Jean-Yves Laliberté, Director

ORBIT GARANT DRILLING INC.
Consolidated statements of cash flows
For the years ended June 30, 2012 and 2011
(in thousands of Canadian dollars)

	Notes	June 30 2012 \$	June 30 2011 \$ (note 22)
OPERATING ACTIVITIES			
Earnings before income taxes		15,082	16,748
Items not affecting cash:			
Amortization of property, plant and equipment	9	9,412	7,159
Amortization of intangible assets	11	2,064	1,510
Gain on disposal of property, plant and equipment	9	(168)	(36)
Gain on long-term investments		-	(209)
Share-based compensation	14	1,009	819
Finance costs		1,224	440
Change in fair value of contingent considerations		107	116
Share in net earnings of associates less dividends		-	(216)
		<u>28,730</u>	<u>26,331</u>
Changes in non-cash operating working capital items	16	(7,570)	(20,694)
Income taxes paid		(3,801)	(5,786)
Finance costs paid		(1,158)	(360)
		<u>16,201</u>	<u>(509)</u>
INVESTING ACTIVITIES			
Business acquisitions of Lantech Drilling Services Inc., including bank overdraft	2	(5,445)	-
Business acquisitions of 1085820 Ontario Limited, net of cash acquired	2	-	(3,240)
Business acquisitions of Morris Drilling Inc., net of cash acquired	2	-	(2,578)
Proceeds from disposal of investment in associate		-	528
Acquisition of property, plant and equipment		(18,377)	(18,647)
Proceeds from disposal of property, plant and equipment		1,675	1,244
		<u>(22,147)</u>	<u>(22,693)</u>
FINANCING ACTIVITIES			
Proceeds from issuance of shares		31	4
Proceeds from long-term debt		102,925	21,507
Repayment of long-term debt		(94,394)	(7,121)
		<u>8,562</u>	<u>14,390</u>
Effect of exchange rate changes		41	-
Increase (decrease) in cash		<u>2,657</u>	<u>(8,812)</u>
Cash (bank overdraft), beginning of year		<u>(698)</u>	<u>8,114</u>
Cash (bank overdraft), end of year		<u><u>1,959</u></u>	<u><u>(698)</u></u>
Additional information	16		

ORBIT GARANT DRILLING INC.

Notes to consolidated financial statements

For the years ended June 30, 2012 and 2011

(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, maily operates a surface and underground diamond drilling business. The Company has operations in Canada, United States, Central and South America and West Africa.

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

	<u>% of voting rights</u>
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%
Forage Orbit Inc. (dissolved September 6, 2012)	100%
9129-5642 Québec inc. (dissolved December 30, 2011)	100%
Lantech Drilling Services Inc. (since December 16, 2011)	100%

2. BUSINESS ACQUISITIONS

Acquisition of Lantech Drilling Services Inc.:

On December 16, 2011, the Company acquired all issued and outstanding shares of Lantech Drilling Services Inc., which provides an expertise in iron ore drilling and geotechnical services, strengtened the team with highly skilled management personnel, drillers and field technicians in Eastern Canada and also provides a strategic entry point to drilling market in West Africa. The purchase price for the transaction was for a total net consideration of \$6,614 payable for a cash consideration of \$3,506 (calculated using the gross cash consideration of \$8,380 less bank overdraft and long term-debt of an amount of \$4,874) and \$989 through the issuance of 217,082 common shares of the company and a contingent consideration of \$2,119. Furthermore, the Company paid a cash consideration of \$3,109 as compensation of the net working capital of the company on the acquisition date. The account payable as compensation of the net working capital does not bear interest and was paid five days after the deliverance of the financial statements of Lantech Drilling Services Inc. An amount of \$1,050 has been accounted for as intangible assets and \$4,056 as goodwill. The amount of goodwill will not be deductible for income tax purposes.

The purchase price of Lantech Drilling Services Inc. is subject to an adjustment of an amount up to \$2,400 calculated on the achievement of specified earnings levels over the years ending December 15, 2012, 2013 and 2014. This contingent consideration has been evaluated at fair value at the acquisition date.

ORBIT GARANT DRILLING INC.

Notes to consolidated financial statements

For the years ended June 30, 2012 and 2011

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

2. BUSINESS ACQUISITIONS (continued)

Acquisition of 1085820 Ontario Limited (Advantage Control Technologies):

On November 8, 2010, the Company acquired all issued and outstanding shares of 1085820 Ontario Limited, which specialized technologies and equipment for the development of new technologies for mineral drilling in Canada. This addition of these advanced technologies is expected to increase significantly the productivity, improve health and safety and optimize labour efficiency. The purchase price for the transaction was for a total net consideration of \$3,585 payable for a cash consideration of \$2,935 and \$650 through the issuance of 132,743 common shares of the company and a contingent consideration of \$2,014. Furthermore, the Company paid a cash consideration of \$521 as compensation of the net working capital of the company on the acquisition date. The account payable as compensation of the net working capital does not bear interest and was paid ten days after the deliverance of the financial statements of 1085820 Ontario Limited. An amount of \$4,322 has been accounted for as intangible assets and \$1,846 as goodwill. The amount of goodwill will not be deductible for income tax purposes.

Further to this transaction, the Company has also acquired some equipment related to this business for an amount of \$375 payable in cash.

The purchase price of 1085820 Ontario Limited is subject to an adjustment of an amount up to \$2,400 calculated on the achievement of specified earnings levels over the years ended November 8, 2012, 2013 and 2014 (initially November 8, 2011, 2012 and 2013). This contingent consideration has been evaluated at fair value at the acquisition date. During the year, the management modified the applicable dates for the calculation of the specific earnings levels from November 8, 2011, 2012 and 2013 to November 8, 2012, 2013 and 2014.

Acquisition of Morris Drilling Inc.:

On December 13, 2010, the Company acquired all issued and outstanding shares of Morris Drilling Inc., a surface diamond drilling business in Canada. This acquisition is directly in line with the growth strategy, enhancing the presence in Northern Ontario. The purchase price for the transaction was for a total net consideration of \$3,427 payable for a cash consideration of \$2,595 and \$832 through the issuance of 173,010 common shares of the company. Furthermore, the Company received a cash consideration of \$100 as compensation of the net working capital of the company on the acquisition date. The account receivable as compensation of the net working capital does not bear interest and was received ten days after the deliverance of the financial statements of Morris Drilling Inc. An amount of \$1,900 has been accounted for as intangible assets and \$1,171 as goodwill. The amount of goodwill will not be deductible for income tax purposes.

The results of operations of 1085820 Ontario Limited, Morris Drilling Inc. and Lantech Drilling Services Inc. are included in the consolidated financial statements from November 8, 2010, December 13, 2010 and December 16, 2011 respectively.

On January 1, 2011, Morris Drilling Inc. merged with 1085820 Ontario Inc. and on February 8, 2011, the legal corporate name of 1085820 Ontario Limited was changed to Orbit Garant Ontario Inc.

ORBIT GARANT DRILLING INC.
Notes to consolidated financial statements

For the years ended June 30, 2012 and 2011

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

2. BUSINESS ACQUISITIONS (continued)

The purchase price of these above transactions were allocated to the net assets acquired on the basis of their estimated fair values as follows:

Business acquisitions date:	Lantech Drilling Services Inc. (December 16, 2011)	1085820 Ontario Limited (November 8, 2010)	Morris Drilling Inc. (December 13, 2010)
	\$	\$	\$
Cash (bank overdraft)	(1,939)	70	17
Accounts receivable	4,588	632	667
Other current assets	4,497	626	262
Property, plant and equipment	5,240	524	738
Goodwill	4,056	1,846	1,171
Intangible assets	1,050	4,322	1,900
Current liabilities	(3,976)	(407)	(922)
Long-term debt	(2,935)	-	-
Deferred income taxes	(858)	(1,118)	(506)
Purchase price	<u>9,723</u>	<u>6,495</u>	<u>3,327</u>
Consideration			
Cash	3,506	3,310	2,595
Issuance of common shares	989	650	832
Account payable (receivable) related to net working capital adjustment	3,109	521	(100)
Contingent consideration	<u>2,119</u>	<u>2,014</u>	<u>-</u>
	<u>9,723</u>	<u>6,495</u>	<u>3,327</u>

Goodwill arising on business acquisitions

Goodwill arose in the business combinations because the consideration paid for the combinations effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce. These benefits are not recognized separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

Business acquisition costs

For the year ended June 30, 2012, business acquisition costs of \$372 (2011: \$328) related to the transactions described above and were included in the general and administrative expenses in the consolidated statement of earnings.

Impact of business acquisitions on the results

The Company's consolidated revenues and net income attributable to the company's shareholders in 2012 included approximately \$12,629 and \$1,804, respectively, from business acquisition completed in 2012. Had 2012 business acquisitions all occurred on July 1, 2011, the Company's pro-forma consolidated revenues and net income attributable to the Company's shareholders would have been approximately \$25,748 and \$2,890, respectively. These pro-forma figures have been estimated based on the results of the acquired business prior to being purchased by the Company's, adjusted to reflect the Company's accounting policies when significant differences existed, and should not be viewed as indicative of the Company's future results.

For the acquisitions completed in 2011, it is impracticable to estimate the revenue and net income attributed to the additional business generated because the operations have been integrated with existing operations.

ORBIT GARANT DRILLING INC.

Notes to consolidated financial statements

For the years ended June 30, 2012 and 2011

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements reflect the first-time adoption of International Financial Reporting Standards ("IFRS"), which replaced Canadian Generally Accepted Accounting Principles ("GAAP") as of January 1, 2011. All disclosures and explanations related to the first-time adoption of IFRS are presented in note 22, which provides information that is considered material to the understanding of the Company's first IFRS financial statements. It also presents a reconciliation of the 2011 financial figures prepared under Canadian GAAP to the 2011 financial figures prepared under IFRS, including a reconciliation of the consolidated statements of earnings, comprehensive earnings and cash flows for the year ended June 30, 2011, as well as a reconciliation of the consolidated balance sheets and equity as of July 1, 2010 and as of June 30, 2011.

The IFRS consolidated financial statements have been prepared based on the following accounting policies:

Basis of presentation

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and IFRS 1, First-time Adoption of IFRS. These consolidated financial statements should be read in conjunction with IFRS transition disclosures included in note 22.

These consolidated financial statements were approved for issue by the Board of Directors of Orbit Garant Drilling Inc. on September 19, 2012.

These consolidated financial statements have been prepared on a historical cost basis, except for the contingent liability, 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").

Principles of consolidation

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

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

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the fair value of the consideration given in exchange for control of the business acquired at the acquisition date. This consideration can be comprised of cash, assets transferred, financial instruments issued, or future contingent payments. The identifiable assets and liabilities of the business acquired are recognized at fair value at the acquisition date.

Results of operations of a business acquired, are included in the Company's consolidated financial statements from the date of the business acquisition. Business acquisition and integration costs are expensed as incurred. Non-controlling interests in an entity acquired are presented in the consolidated balance sheet within equity, separately from the equity attributable to shareholders in the "Equity" section in the consolidated balance sheet.

ORBIT GARANT DRILLING INC.

Notes to consolidated financial statements

For the years ended June 30, 2012 and 2011

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

Financial statements of foreign operations are translated using the rate in effect at the balance sheet date for assets and liabilities, and using the average exchange rates during the period for revenues and expenses. Adjustments arising from foreign currency translation are recorded in other comprehensive earnings.

Foreign currency transactions are transactions in a currency other than the Company's functional currency. Foreign currency transactions are translated to the functional currency by applying the exchange rate prevailing at the date of the transactions. Translation gains and losses on assets and liabilities denominated in a foreign currency are included in the statement of comprehensive earnings.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

<u>Asset/Liability</u>	<u>Classification</u>	<u>Measurement</u>
Cash	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Bank overdraft	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Contingent consideration	-	Fair value
Long-term debt	Other liabilities	Amortized cost

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Trade receivables

Trade receivables are initially stated at their fair value, less an allowance for doubtful accounts and an allowance for sales returns. The Company establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. Individual trade receivables are written off when management deems them not collectible. 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.

Cash and cash equivalents

Cash and cash equivalents include cash and bank overdraft of which the balance often fluctuates between the available cash amount and the indebtedness.

ORBIT GARANT DRILLING INC.

Notes to consolidated financial statements

For the years ended June 30, 2012 and 2011

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

The Company maintains an inventory of operating supplies, drill rods and drill bits. Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price less the estimated cost necessary to make the sale. Cost is determined on the first-in, first-out basis. Used and revised inventories are valued at 50% and 75% of cost respectively. The amount of the depreciation of inventories can be reversed when the circumstances that led to the impairment charge in the past no longer exists.

Investments in associates

Investments in associates are accounted for using the equity method. Under this method, the Company's share in net earnings of these companies is presented in the statement of earnings.

Property, plant and equipment

Property, plant and equipment are stated at cost. Cost represents the acquisition costs, net of government grants and investment tax credits, or manufacturing costs, including preparation, installation and testing costs. The manufacturing costs for drilling equipment include the material, direct labour and indirect specific costs.

Borrowing costs are also included in the cost of self-constructed property, plant and equipment. Future expenditures, such as maintenance and repairs, are expensed as incurred.

Cost of repairs and maintenance are charged to operations as incurred. Significant improvements are capitalized and amortized over the useful life of the asset.

Property, plant and equipment are recorded at cost and amortization is calculated using the straight-line method based on their estimated useful life using the following periods:

Buildings and components	5 to 40 years
Drilling equipment	5 to 10 years
Vehicles	5 years
Other	3 to 10 years

The amortization begin when the property, plant and equipment are ready for their intended use.

Goodwill

Goodwill initially arising from a business acquisition is measured and recognized as the excess of the fair value of the consideration paid over the fair value of the recognized identifiable assets acquired and liabilities assumed. When the Company acquires less than 100% of the equity interests in the business acquired at the acquisition date, goodwill attributable to the non-controlling interest is also recognized at fair value.

ORBIT GARANT DRILLING INC.

Notes to consolidated financial statements

For the years ended June 30, 2012 and 2011

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets are accounted for at cost. Amortization is based on their estimated useful life using the straight-line method and the following periods:

Customer relationship	36 months
Drilling technology	60 months
Non-compete agreement	36 months

Amortization methods, residual values and the useful lives of significant intangible assets are reviewed at each financial year-end. Any change is accounted for prospectively as a change in accounting estimate.

Impairment of long-lived assets

For the purposes of assessing impairment, assets are grouped in cash-generating units ("CGU"), which represent the lowest levels for which there are separately identifiable cash inflows generated by those assets. The Company reviews, at each balance sheet date, whether events or circumstances have occurred to indicate that the carrying amounts of its long-lived assets with finite useful lives may be less than their recoverable amounts.

Goodwill, other intangible assets having an indefinite useful life, and intangible assets not yet available for use are tested for impairment on June 30 of each financial year, as well as, whenever there is an indication that the carrying amount of the asset, or the CGU to which an asset has been allocated, exceeds its recoverable amount. The recoverable amount is the higher of the fair value, less costs to sell and the value in use of the asset or the CGU. Fair value, less costs to sell, represents the amount an entity could obtain at the valuation date from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use represents the present value of the future cash flows expected to be derived from the asset or the CGU.

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and attributed to assets in the CGU, pro rated to the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets having an indefinite useful life, other than goodwill, can be reversed through the statement of earnings up to the excess of the recoverable amount of the asset or the CGU over its carrying value.

ORBIT GARANT DRILLING INC.

Notes to consolidated financial statements

For the years ended June 30, 2012 and 2011

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Current income taxes are recognized with respect to amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in earnings in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to an amount that is more likely than not to be realized. A deferred tax expense or benefit is recognized in other comprehensive earnings or otherwise directly in equity to the extent that it relates to items that are recognized in other comprehensive earnings or directly in equity in the same or a different period.

In the course of the Company's operations, there are a number of uncertain tax positions due to the complexity of certain transactions and due to the fact that related tax interpretations and legislation are continually changing. When a tax position is uncertain, the Company recognizes an income tax benefit or reduces an income tax liability only when it is probable that the tax benefit will be realized in the future or that the income tax liability is no longer probable.

Financing fees

Financing fees related to long-term debt are capitalized in reduction of long-term debt and amortized using the effective interest rate.

Leases

Assets under leasing agreements are classified at the inception of the lease as (i) finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee, or as (ii) operating leases for all other leases. All of the Company's current leases are classified as operating leases.

Operating lease rentals are recognized in the consolidated statement of earnings on a straight-line basis over the period of the lease. Any lessee incentives are deferred and then recognized evenly over the lease term.

Revenue recognition

Revenue from drilling contracts is recognized on the basis of actual meters drilled for each contact. Revenue from ancillary services is recorded when the service is rendered and revenue from the sale of drilling rigs is recorded at shipping. The Company recognizes revenue when persuasive evidence of an arrangement exists, service has been rendered, merchandise has been shipped, the price to the buyer is fixed or determinable and collection is reasonably assured.

ORBIT GARANT DRILLING INC.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings per share

Earnings per share are calculated using the weighted daily average number of shares outstanding during the year.

Diluted earnings per share are determined as net earnings, divided by the weighted average number of diluted common shares for the period. Diluted common shares reflect the potential dilutive effect of exercising the stock options based on the treasury stock method.

Stock options

The Company uses the fair value method to account for stock options. In accordance with this method, compensation cost is measured at the fair value of the option at the grant date using the Black-Scholes option pricing model and is amortized to earnings over the vesting period. The fair value is recognized as an expense with a corresponding increase in equity settled reserve. The amount recognized as an expense is adjusted to reflect the number of stock options expected to vest. When unexercised stock options are forfeited or expired, the amounts are transferred to retained earnings.

4. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated by the Company and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates, assumptions and judgments concerning the future. Actual results could differ from these estimates. The estimates, assumptions and judgments that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are addressed below.

Inventories

Inventory is measured at the lower of cost and net realizable value. In estimating net realizable values, management takes into account the most reliable evidence available at the time the estimates are made. Net realizable value is the estimated selling price less the estimated cost necessary to make the sale. Used and revised inventories are valued at 50% and 75% of cost respectively. The amount of the depreciation of inventories can be reversed when the circumstances that led to the impairment charge in the past no longer exists.

Useful lives of depreciable assets

Amortization methods, residual values and useful lives of property, plant and equipment are reviewed at each reporting date by the management. Any changes is accounted for prospectively as a change in accounting estimate. As at June 30, 2012, management assesses that the useful lives represent the expected utility of the assets to the Company.

Business combinations

On initial recognition, the assets and liabilities of the acquired business are included in the consolidated balance sheet of the Company at their fair values. In measuring fair value, management uses estimates about future cash flows and discount rates, however, the actual results may vary. Any measurement changes upon initial recognition would affect the measurement of Goodwill.

Estimated impairment of Goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in summary of significant accounting policies. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

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4. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

Current income taxes

The Company is subject to income taxes in various jurisdictions. Judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due in the future. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It established provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income taxes

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Company operates are also carefully taken into consideration. If a forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by Management based on the specific facts and circumstances.

Provisions

Provisions are recognized when (i) the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and when (ii) the amount of the obligation can be reliably estimated.

Provisions are reviewed at each balance sheet date and changes in estimates are reflected in the consolidated statement of earnings in the reporting period in which changes occur.

Contingent considerations

The fair value recognized for contingent considerations has been estimated by Management based on the subsidiaries results and budget. However, the actual contingent considerations may vary due to unexpected changes in the subsidiaries activities.

Stock options

The Company uses the fair value method to account for stock options. In accordance with this method, compensation cost is measured at the fair value of the option at the grant date using the Black-Scholes option pricing model which is based on significant assumptions such as volatility, dividend yield and expected term.

Functional currency

The Company applied judgment in determining the functional currency of the Company and its subsidiaries. Functional currency was determined based on the currency that mainly influences sales prices, labour, materials and other costs of providing services.

ORBIT GARANT DRILLING INC.

Notes to consolidated financial statements

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5. 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 a non-derivative financial instruments and its related classification and measurement. IFRS 9 is effective from periods beginning January 1, 2015 with early adoption permitted.

IFRS 10 – Consolidated Financial Statements

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

IFRS 11 – Joint Arrangements

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

IFRS 12 – Disclosure of Interests in Other Entities

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

IFRS 13 – Fair value measurements

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

6. EXPENSES BY NATURE

Detail of the amortization expense

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

	June 30 2012	June 30 2011
	\$	\$
Cost of contract revenue	8,544	6,794
General and administrative expenses	2,932	1,875
Total amortization	<u>11,476</u>	<u>8,669</u>

ORBIT GARANT DRILLING INC.

Notes to consolidated financial statements

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6. EXPENSES BY NATURE (continued)

Principal expenses by nature

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

	June 30 2012	June 30 2011
	\$	\$
Amortization	11,476	8,669
Employee benefits expense	68,097	54,594
Cost of inventory	31,661	27,097
Other expenses	28,440	20,630
Total operating, general and administrative expenses and other expenses (revenues)	<u>139,674</u>	<u>110,990</u>

7. INVENTORIES

Inventories consist of the following:

	June 30 2012	June 30 2011	July 1 2010
	\$	\$	\$
Spare parts, gross	10,651	7,647	5,242
Consumables, gross	30,301	24,381	16,891
Other	1,084	1,618	575
	<u>42,036</u>	<u>33,646</u>	<u>22,708</u>

Spare parts mainly include motors and heads. Spare parts are charged to the statement of income when used on equipment. Consumable mainly include destructive tools, hammers, muds, wire lines and casing. Consumable are charged to the statement of income when delivered to the field.

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7. INVENTORIES (continued)

The cost of inventory recognized as an expense and included in cost of contract revenue has been recorded as follows:

June 30 2012	June 30 2011
\$	\$
31,661	27,097

During the year, there were no significant write-downs of inventory as a result of net realizable value being lower than cost and no inventory write-downs recognized in previous years were reversed.

The Company's credit facilities are in part secured by a general assignment of the Company's inventory.

8. INVESTMENTS IN ASSOCIATE

	June 30 2012	June 30 2011	July 1 2010
	\$	\$	\$
6483976 Canada Inc. (Usage X-SPEC):			
4,000 class A shares, representing 40% of the voting shares, equity method	-	-	838
48,000 class I shares, non-participating, non-voting, maximum dividend of 8% per year, redeemable at the option of the company at \$48,000, at cost	-	-	48
	-	-	886

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9. PROPERTY, PLANT AND EQUIPMENT

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

Cost	Land	Buildings and components	Drilling equipments	Vehicles	Other	Total
	\$	\$	\$	\$	\$	\$
Balance as at July 1, 2010	761	3,146	33,037	8,519	1,191	46,654
Additions	37	6,047	9,156	2,715	692	18,647
Disposals	(69)	(526)	(1,016)	(426)	-	(2,037)
Business acquisitions (note 2)	-	-	1,053	177	32	1,262
Balance as at June 30, 2011	729	8,667	42,230	10,985	1,915	64,526
Additions	1	613	13,147	3,803	813	18,377
Disposals	(293)	(75)	(2,441)	(429)	(3)	(3,241)
Business acquisitions (note 2)	75	557	4,290	235	83	5,240
Effect of movements in exchange rates	-	-	(24)	(3)	-	(27)
Balance as at June 30, 2012	512	9,762	57,202	14,591	2,808	84,875

Accumulated Amortization	Land	Buildings and components	Drilling equipments	Vehicles	Other	Total
	\$	\$	\$	\$	\$	\$
Balance as at July 1, 2010	-	234	11,405	2,751	583	14,973
Amortization	-	130	5,190	1,568	271	7,159
Disposals	-	(140)	(437)	(252)	-	(829)
Balance as at June 30, 2011	-	224	16,158	4,067	854	21,303
Amortization	-	549	6,434	2,075	354	9,412
Disposals	-	(21)	(1,434)	(279)	-	(1,734)
Effect of movements in exchange rates	-	-	12	2	-	14
Balance as at June 30, 2012	-	752	21,170	5,865	1,208	28,995

Net book value

July 1, 2010	761	2,912	21,632	5,768	608	31,681
June 30, 2011	729	8,443	26,072	6,918	1,061	43,223
June 30, 2012	512	9,010	36,032	8,726	1,600	55,880

The gain on disposal of property, plant and equipment totalling \$168 for the year ended June 30, 2012 (a gain of \$36 for the year ended June 30, 2011) is included in cost of contract revenue.

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10. GOODWILL

Changes in the goodwill balance were as follows:

	\$
Balance as at July 1, 2010	19,698
Business acquisitions (note 2)	3,017
Balance as at June 30, 2011	22,715
Business acquisitions (note 2)	4,056
Balance as at June 30, 2012	26,771

Goodwill acquired

Goodwill arose in the business acquisitions, because the total consideration exceeded the fair value of the net assets acquired. In addition, the consideration paid for the acquisition, effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the combined workforce of Orbit Garant and the acquired businesses. These benefits are not recognized separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets.

Allocation of goodwill to CGUs

For the purpose of annual impairment testing goodwill is allocated to the following cash-generating units, which are the units expected to benefit from the synergies of the business combinations in which the goodwill arises:

	June 30 2012	June 30 2011	July 1 2010
	\$	\$	\$
Canada	18,930	16,844	13,827
International	7,841	5,871	5,871
	<u>26,771</u>	<u>22,715</u>	<u>19,698</u>

Canada

The recoverable amount of the Canada CGU is determined on a value-in-use calculation, which uses cash flow projections based on financial budgets and forward projections approved by Management, covering a five-year period and a net tax discount rate of 12.3% per annum. Cash flows beyond that period have been extrapolated using a steady 2% per annum growth rate. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

International

The recoverable amount of the International CGU is determined on a value-in-use calculation, which uses cash flow projections based on financial budgets and forward projections approved by Management, covering a five-year period and a net tax discount rate of 18.7% per annum. Cash flows beyond that period have been extrapolated using a steady 2% per annum growth rate. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

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10. GOODWILL (continued)

Key assumptions

The key assumptions in the value-in-use calculations for Canada and International CGUs are as follows:

Operating costs and capital expenditures

Operating costs and capital expenditures are based on internal management forecasts. Cost assumptions incorporate management experience and expertise, current operating costs, the nature and location of each operation and the risk associated with each operation. Future capital expenditure is based on management's best estimate of required future capital requirements. All committed and anticipated capital expenditures adjusted for future cost estimates have been included in the projected cash flows.

Gross margin

Management's key assumptions include stable profit margin, which have been determined based on past experience in the market. Management expects that gross margin will remain in a range in line with historically achieved levels.

Discount rates

Adjustments to the rate are made for any risks that are not reflected in the underlying cash flows. These rates are based on the weighted average cost of capital for a mining industry group and were calculated based on management estimates.

The Company has performed its annual goodwill impairment testing and did not identify any impairment losses.

11. INTANGIBLE ASSETS

Changes in the intangible assets balance were as follows:

	Customer relationship	Drilling technology (a)	Non-compete agreement	Total
	\$	\$	\$	\$
Cost				
Balance as at July 1, 2010	14,024	-	2,110	16,134
Business acquisitions (note 2)	2,940	2,912	370	6,222
Balance as at June 30, 2011	16,964	2,912	2,480	22,356
Business acquisitions (note 2)	1,050	-	-	1,050
Balance as at June 30, 2012	18,014	2,912	2,480	23,406
	Customer relationship	Drilling technology (a)	Non-compete agreement	Total
	\$	\$	\$	\$
Accumulated amortization				
Balance as at July 1, 2010	13,257	-	1,503	14,760
Amortization	1,026	-	484	1,510
Balance as at June 30, 2011	14,283	-	1,987	16,270
Amortization	1,174	582	308	2,064
Balance as at June 30, 2012	15,457	582	2,295	18,334
Net book value				
July 1, 2010	767	-	607	1,374
June 30, 2011	2,681	2,912	493	6,086
June 30, 2012	2,557	2,330	185	5,072

(a) The drilling technology has not been amortized during the year ended June 30, 2011, because it was still in development.

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12. LONG-TERM DEBT

	June 30 2012	June 30 2011	July 1 2010
	\$	\$	\$
Loan authorized for a maximum amount of \$40 million, bearing interest at prime rate plus 0.5%, maturing May 2015, secured by first rank hypothec on the universality of all present and future assets (a) (b)	25,590	14,618	-
Loans, bearing interest at rates ranging from 0% to 1.5%, payable in monthly instalments of \$39, maturing in September 2014, secured by certain vehicles of a net book value of \$1,183 as at June 30, 2012, \$550 as at June 30, 2011 and \$552 as at July 1, 2010	782	223	375
	<u>26,372</u>	<u>14,841</u>	<u>375</u>
Current portion	(401)	(168)	(203)
	<u><u>25,971</u></u>	<u><u>14,673</u></u>	<u><u>172</u></u>

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

(b) An unamortized amount of \$210 (\$276 as at June 30, 2011 and nil as at July 1, 2010), 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 13).

On June 30, 2012, the prime rate was 3% (3% as at June 30, 2011 and 2.5 % as at July 1, 2010).

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

	\$
2013	401
2014	316
2015	25,865

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13. 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:

	June 30 2012	June 30 2011	July 1 2010
	\$	\$	\$
Bank overdraft	-	698	-
Long-term debt	26,372	14,841	375
Share capital	54,411	53,386	51,898
Equity settled reserve	3,524	2,520	1,703
Retained earnings	57,797	47,437	35,991
Cash	(1,959)	-	(8,114)
	<u>140,145</u>	<u>118,882</u>	<u>81,853</u>

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

Under the terms of certain of the Company's debt agreements, the Company must satisfy certain financial covenants, such as Senior debt to earnings before income taxes, interest, depreciation and amortization ratio, Senior debt to capitalization ratio and fixed charge coverage ratio. Such agreements also limit, among other things, the Company's ability to incur additional indebtedness, create liens, engage in mergers or acquisitions and make dividend and other payments. As of June 30, 2012, June 30, 2011 and July 1, 2010, the Company was, and continues to be, in compliance with all covenants and other conditions imposed by its debt agreements.

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

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

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14. SHARE CAPITAL

Authorized, an unlimited number of common and preferred shares:

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

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

Common shares issued:

	June 30, 2012		June 30, 2011	
	Number of shares	\$	Number of shares	\$
Balance, beginning of the year	33,048,937	53,406	32,738,684	51,918
Shares issued:				
For business acquisitions (a)	217,082	989	305,753	1,482
Stock option exercised	10,500	16	4,500	6
	<u>33,276,519</u>	<u>54,411</u>	<u>33,048,937</u>	<u>53,406</u>
Share purchase financing (b)	-	-	-	(20)
Balance, end of the year	<u>33,276,519</u>	<u>54,411</u>	<u>33,048,937</u>	<u>53,386</u>

(a) Issuance of common shares:

As at December 16, 2011, the Company issued a total of 217,082 common shares for a total amount of \$989 as part of the consideration for the acquisition of Lantech Drilling Services Inc. (see Note 2).

During the year ended in June 30, 2011, the Company issued a total of 305,753 common shares in November and December 2010 for a total amount of \$1,482 as part of the consideration for the acquisitions of 1085820 Ontario Limited and Morris Drilling Inc. (see Note 2).

(b) Share purchase financing:

On August 20, 2007, 13,333 common shares were issued to an employee of the Company at \$1.50 per common share under the Company's share purchase plan. The Company granted a five-year loan in the amount of \$20 to this employee pursuant to the terms and conditions set out in a promissory note secured by 13,333 common shares. Interest on the principal of the loan is calculated and compounded annually at a rate of 8%. The loan was repaid in June 2012.

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14. SHARE CAPITAL (continued)

Earnings per share

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

	June 30 2012	June 30 2011
Earnings per share - basic		
Net earnings available to common shareholders	10,360 \$	11,446 \$
Weighted average basic number of common shares outstanding	33,175,208	32,918,727
Earnings per share - basic	<u>0.31 \$</u>	<u>0.35 \$</u>
	June 30 2012	June 30 2011
Earnings per share - diluted		
Net earnings available to common shareholders	10,360 \$	11,446 \$
Weighted average basic number of common shares outstanding	33,175,208	32,918,727
Adjustment to average number of common shares - stock options	<u>955,726</u>	<u>851,336</u>
Weighted average diluted number of common shares outstanding	<u>34,130,934</u>	<u>33,770,063</u>
Earnings per share - diluted	<u>0.30 \$</u>	<u>0.34 \$</u>

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14. SHARE CAPITAL (continued)

2007 stock option plan:

In January 2007, the Board of Directors adopted an equity settled stock option plan « 2007 Stock Option Plan ». The purpose of this plan is to retain, motivate and reward qualified directors, officers, employees and consultants of the Company.

The vesting and expiry terms of the outstanding options were modified in June 2008 and will now vest at the rate of 50% 31 days after the closing date of the IPO and 25% on each of the first and second anniversary of the closing date of the IPO and will expire 10 years after the grant date.

2008 stock option plan

Also, on June 26, 2008, the Company established the new equity settled option plan « 2008 Stock Option Plan », which is intended to aid in attracting, retaining and motivating the Company's officers, employees, directors and consultants. The new option plan has been prepared in accordance with TSX's policies on listed company security-based compensation arrangements. Persons eligible to be granted options under the new option plan are: any director, officer or employee of Orbit Garant or of any subsidiary company controlled by any such person or a family trust of which at least one trustee is any such person and all of the beneficiaries of which are such person and his or her spouse or children.

The aggregate number of common shares which may be issued from treasury under the new option plan or reserved for issuance upon the exercise of options under the 2008 stock option plan shall not exceed 10% of the issued and outstanding common shares after giving effect to the June 26, 2008 offering less the number of options issued under the prior option plan. The number of common shares which may be reserved for issuance pursuant to options granted under the new option plan, together with common shares reserved for issuance from treasury under any other employee-related plan of the Company or options for services granted by the Company, to any one person shall not exceed 5% of the then aggregate issued and outstanding common shares.

The Board of Directors, through the recommendation of the Corporate Governance and Compensation Committee, will manage the 2008 Stock Option Plan and will determine, among other things, optionees, vesting periods, exercise price and other attributes of the options, in each case pursuant to the 2008 stock option plan, applicable securities legislation and the rules of the TSX. Unless otherwise determined by the Board of Directors, options will vest at a rate of 20% per annum commencing 12 months after the date of grant and will expire no later than 10 years after the grant date. Options are forfeited when the option holder ceases to be a director, officer or employee of the Company. The exercise price for any option may not be less than the fair market value (the closing price of the common shares on the TSX on the last trading day on which common shares traded prior to such day, or the average of the closing bid and ask prices over the last five trading days, if no trades accrued over that period) of the common shares at the time of the grant of the option.

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14. SHARE CAPITAL (continued)

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

	Number of options	Weighted average exercise price \$
Outstanding as at July 1, 2010	1,973,000	2.42
Granted during the year	365,000	5.73
Exercised during the year	(4,500)	1.00
Outstanding as at June 30, 2011	2,333,500	2.94
Granted during the year	300,000	5.60
Exercised during the year	(10,500)	1.00
Outstanding as at June 30, 2012	2,623,000	3.25
Exercisable as at June 30, 2012	1,726,000	2.29

The following table summarizes information on stock options outstanding at June 30, 2012:

Range of exercise price \$	Outstanding at June 30, 2012	Weighted average remaining life (years)	Weighted average exercise price \$	Exercisable at June 30, 2012	Weighted average exercise price \$
1.00 - 1.50	1,033,000	4.62	1.02	1,033,000	1.02
4.00	925,000	6.44	4.00	620,000	4.00
5.60 - 6.02	665,000	5.85	5.67	73,000	5.73
	<u>2,623,000</u>			<u>1,726,000</u>	

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 November 2011	Granted in February 2011	Granted in November 2010
Risk-free interest rate	2.07%	2.31%	1.84%
Expected life (years)	5	5	5
Expected volatility (based on historical volatility)	70.06%	67.96%	68.88%
Expected dividend yield	0%	0%	0%
Fair value of options granted	\$3.76	\$3.45	\$3.17

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14. SHARE CAPITAL (continued)

During the years 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:

	June 30 2012	June 30 2011
	\$	\$
Expense related to share-based compensation	1,009	819

15. INCOME TAXES

Income tax expense comprises the following:

	June 30 2012	June 30 2011
	\$	\$
Current tax		
Current year	4,713	5,569
Prior year adjustments	(3)	78
	<u>4,710</u>	<u>5,647</u>
Deferred tax		
Current year	(11)	(348)
Effect of corporate tax rate modification	23	3
	<u>12</u>	<u>(345)</u>
	<u><u>4,722</u></u>	<u><u>5,302</u></u>

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

	June 30 2012	June 30 2011
	\$	\$
Earnings before income taxes	15,082	16,748
Statutory rates	27.27%	29.20%
Income taxes based on statutory rates	4,112	4,890
Increase (decrease) of income taxes to the following:		
Non-deductible expenses and other	304	193
Non-deductible share-based compensation expense	275	239
Non-taxable share in net earnings of a company subject to significant influence	-	(66)
Effect of corporate tax rate modification	23	3
Prior year adjustments	(3)	78
Non-taxable portion of capital gain	(3)	(69)
Change in fair value of contingent consideration	14	34
Total income taxes	<u><u>4,722</u></u>	<u><u>5,302</u></u>

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15. INCOME TAXES (continued)

Deferred income taxes are based on differences between the accounting and tax values of assets and liabilities and consist of the following as at the dates presented:

	June 30 2011	Recognized in statements of earnings	Business acquisitions (Note 2)	June 30 2012
	\$	\$	\$	\$
Deferred income tax assets:				
Share issue costs	217	(217)	-	-
Long-term investments	-	-	-	-
Total deferred income tax assets	<u>217</u>	<u>(217)</u>	<u>-</u>	<u>-</u>
Deferred income tax liabilities:				
Property, plant and equipment	1,098	344	577	2,019
Intangible assets	1,734	(549)	281	1,466
Total deferred income tax liabilities	<u>2,832</u>	<u>(205)</u>	<u>858</u>	<u>3,485</u>
Net deferred income tax liabilities	<u><u>2,615</u></u>	<u><u>12</u></u>	<u><u>858</u></u>	<u><u>3,485</u></u>

	July 1 2010	Recognized in statements of earnings	Business acquisitions (Note 2)	June 30 2011
	\$	\$	\$	\$
Deferred income tax assets:				
Share issue costs	444	(227)	-	217
Long-term investments	13	(13)	-	-
Total deferred income tax assets	<u>457</u>	<u>(240)</u>	<u>-</u>	<u>217</u>
Deferred income tax liabilities:				
Property, plant and equipment	1,313	(215)	-	1,098
Intangible assets	479	(370)	1,625	1,734
Total deferred income tax liabilities	<u>1,792</u>	<u>(585)</u>	<u>1,625</u>	<u>2,832</u>
Net deferred income tax liabilities	<u><u>1,335</u></u>	<u><u>(345)</u></u>	<u><u>1,625</u></u>	<u><u>2,615</u></u>

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16. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

Changes in non-cash operating working capital items:

	June 30 2012	June 30 2011
	\$	\$
Accounts receivable	2,688	(10,577)
Inventories	(3,980)	(10,068)
Prepaid expenses	(389)	(228)
Accounts payable and accrued liabilities	(5,889)	179
	<u>(7,570)</u>	<u>(20,694)</u>

17. COMMITMENTS

The Company has entered into operating lease agreements expiring in 2017 which call for lease payments of \$612 for the rental of vehicles. The Company has also entered into lease agreements for offices expiring in 2021 for minimum lease payments of \$1,535. 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:

	\$
2013	468
2014	393
2015	297
2016	208
2017	188
Subsequent years	593

Lease payments recognised as an expense during the year amount to \$369 (year ended June 30, 2011: \$153). This amount consists of minimum lease payments. No sublease payments or contingent rent payments were made or received. No sublease income is expected as all assets held under lease agreements are used exclusively by the Company.

18. RELATED PARTY TRANSACTIONS

The company is related to 2867-3820 Québec inc., a company owned by a director.

The Company was related to 6483976 Canada Inc. (Usage X-SPEC) until January 31, 2011 due to the significant influence exercised by the company.

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18. RELATED PARTY TRANSACTIONS (continued)

During the year, the Company entered into the following transactions with its related companies:

	June 30 2012	June 30 2011
	\$	\$
Sales - 6483976 Canada Inc.	-	47
Purchases - 6483976 Canada Inc.	-	1,267
Rent - 2867-3820 Québec inc.	20	95

All of these related party transactions are measured at fair value.

19. KEY MANAGEMENT PERSONNEL COMPENSATION

The remuneration recognized for key management remuneration and director's fees, are analyzed as follows:

	June 30 2012	June 30 2011
	\$	\$
Salaries and fees	1,422	1,229
Share-based compensation	708	988
	<u>2,130</u>	<u>2,217</u>

20. 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 June 30, 2012, the Company has cash in US dollars for an amount of \$935 (June 30, 2011, \$296; July 1, 2010, \$228) and accounts receivable in US dollars for an amount of \$2,195 (June 30, 2011, \$388; July 1, 2010, \$516).

As at June 30, 2012, 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 \$193 (June 30, 2011, \$18).

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20. FINANCIAL INSTRUMENTS (continued)

Credit risk

The Company provides credit to its customers in the normal course of its operations. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. It carries out, on a continuing basis, credit checks on its customers and maintains provisions for contingent credit losses. Demand for the Company's drilling services depends upon the level of mineral exploration and development activities conducted by mining companies, particularly with respect to gold, nickel and copper.

In order to reduce the credit risk, the Company is using insurance coverage from Export Development Canada ("EDC") on certain accounts receivable from its customers. The insurance program provides under certain terms and conditions an insurance coverage amount of up to 90% of unpaid accounts. As at June 30, 2012, the amount of the insurance coverage from EDC represents approximately 24% of the accounts receivable (33% in June 30, 2011; 53% in July 1, 2010).

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

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

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

	June 30 2012	June 30 2011
	\$	\$
Balance at beginning of year	734	1,070
Change in allowance, other than write-offs and recoveries	315	5
Write-offs or trade receivables	(733)	-
Recoveries	(8)	(341)
Balance at end of year	<u>308</u>	<u>734</u>

As at June 30, 2012, 43% (June 30, 2011: 43% and July 1, 2010: 54.9%) of the trade accounts receivable are aged as current and 1% are impaired (June 30, 2011: 2% and July 1, 2010: 5%).

Two major customer represent 34% of the trade accounts receivable as at June 30, 2012 (June 30, 2011, one major customer represents 13% and on July 1, 2010, one customer represented 10% of these accounts).

One major customer represent 15% of the contract revenue for the year ended June 30, 2012 (year ended June 30, 2011, no major customer represents 10%).

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.

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20. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

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

As at June 30, 2012, 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 \$187 (June 30, 2011, \$105: no significant impact on July 1, 2010).

Fair value

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

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

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 June 30, 2012 and 2011, 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. There is no observable inputs for that financial instrument.

The changes in the contingent considerations are detailed below:

	June 30 2012	June 30 2011
	\$	\$
Balance at beginning of year	2,130	-
Business acquisitions (note 2)	2,119	2,014
Change in fair value of contingent considerations	107	116
Balance at end of year	<u>4,356</u>	<u>2,130</u>

There were no transfers of amounts between Level 1, Level 2 and Level 3 financial instruments for the year ended June 30, 2012 and 2011.

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20. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

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

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. In Note 13 are details of undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

	As at June 30, 2012			
	Total	0 - 1 year	2 - 3 years	4 - 5 years
	\$	\$	\$	\$
Accounts payable and accrued liabilities	20,206	20,206	-	-
Contingent considerations	4,800	1,600	3,200	-
Long-term debt (capital only)	26,582	401	316	25,865
	<u>51,588</u>	<u>22,207</u>	<u>3,516</u>	<u>25,865</u>

	As at June 30, 2011			
	Total	0 - 1 year	2 - 3 years	4 - 5 years
	\$	\$	\$	\$
Bank overdraft	698	698	-	-
Accounts payable and accrued liabilities	19,009	19,009	-	-
Contingent consideration	2,400	800	1,600	-
Long-term debt (capital only)	15,117	168	55	14,894
	<u>37,224</u>	<u>20,675</u>	<u>1,655</u>	<u>14,894</u>

	As at July 1, 2010			
	Total	0 - 1 year	2 - 3 years	4 - 5 years
	\$	\$	\$	\$
Accounts payable and accrued liabilities	17,158	17,158	-	-
Long-term debt (capital only)	375	203	172	-
	<u>17,533</u>	<u>17,361</u>	<u>172</u>	<u>-</u>

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21. SEGMENTED INFORMATION

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

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

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

	June 30 2012	June 30 2011
	\$	\$
Contract revenue		
Canada	132,925	108,725
International	21,831	19,013
	<u>154,756</u>	<u>127,738</u>
Gross profit		
Canada	22,482	18,514
International	11,180	9,960
	<u>33,662</u>	<u>28,474</u>
General corporate expenses	17,249	11,604
Finance costs	1,331	556
Share in net earnings of associate	-	(225)
Gain on long-term investments	-	(209)
Income taxes	4,722	5,302
	<u>23,302</u>	<u>17,028</u>
Net earnings	<u>10,360</u>	<u>11,446</u>
Amortization		
Canada	7,577	5,931
International	967	863
Unallocated and corporate assets	2,932	1,875
	<u>11,476</u>	<u>8,669</u>

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21. SEGMENTED INFORMATION (continued)

	As at June 30, 2012 \$	As at June 30, 2011 \$	As at July 1, 2010 \$
Identifiable assets			
Canada	153,707	130,040	100,764
International	16,444	12,596	7,696
	<u>170,151</u>	<u>142,636</u>	<u>108,460</u>
Property, plant and equipment			
Canada	49,939	39,415	28,210
International	5,941	3,808	3,471
	<u>55,880</u>	<u>43,223</u>	<u>31,681</u>

22. TRANSITION TO IFRS

These consolidated financial statements are prepared in accordance with IFRS, as described under accounting policies (note 3). The date of the opening balance sheet under IFRS and the Company's date of transition to IFRS is July 1, 2010. The IFRS 1 requires the presentation of Comparative Financial Information and imposes to the First-time adopters to apply retrospectively, all the IFRS standards in effect for the Company, for the year ended June 30, 2012. However, it provides certain optional exemptions and certain mandatory exceptions for the First-time IFRS adopters.

Prior to the adoption of IFRS, for all periods up to and including the year ended June 30, 2010, the Company's consolidated financial statements were prepared in accordance with Canadian GAAP. The Company applied IFRS 1 *First-time Adoption of IFRS* to prepare its first consolidated financial statements. The transition incidence to IFRS on equity, net earnings, comprehensive earnings and cash flows is presented and described in this note and is explained in more detail in the notes relative to the chart .

Initial choices on adoption

The Company has applied IFRS 1 in preparing these consolidated financial statements. The Company is required to establish IFRS accounting policies as of the transition date and, in general, to apply these retrospectively to determine the IFRS opening balance sheet at July 1, 2010. This Standard provides a number of mandatory exceptions and optional exemptions to this general principle of retrospective application when the translation of Canadian GAAP to IFRS for the Company. Descriptions of applicable exemptions and exceptions are set out below, together with the Company's elections:

Mandatory exceptions to IFRS adopted by the Company

Estimates - In accordance with IFRS 1, an entity's estimates under IFRS as of the transition date to IFRS must be consistent with estimates made for the same date under previous Canadian GAAP, unless there is objective evidence that those estimates were in error. The estimates previously made by the Company under Canadian GAAP were not revised on the application of IFRS.

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22. TRANSITION TO IFRS (continued)

Optional choices applied by the Company

Business Combinations - IFRS 1 provides the option to apply IFRS 3R (revised), *Business Combinations*, retrospectively or prospectively from the transition date. A retrospective basis would require restatement of all business combinations that occurred prior to the transition date. The Corporation has elected not to apply IFRS 3R retrospectively to business combinations that occurred before the date of transition. These business combinations were not restated. Accordingly, IAS 27, Consolidated and Separate Financial Statements, is also applied prospectively. Any goodwill arising on acquisition differences has not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying this exemption.

Reconciliation of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior years. The Company's first time adoption of IFRS did not have an impact on the total operating, investing or financing cash flows. The following represents the reconciliations from Canadian GAAP to IFRS for the respective years noted: the equity, earnings and comprehensive earnings.

Reconciliation of Equity

As at:	Explanation	June 30, 2011	July 1, 2010
		\$	\$
Equity under Canadian GAAP		103,787	89,592
Differences with the Canadian GAAP decreasing reported equity:			
Business acquisition expenses	(c)	(328)	-
Contingent consideration	(b)	(116)	-
Total equity under IFRS		103,343	89,592

Reconciliation of earnings and comprehensive earnings

For the year ended :	Explanation	June 30, 2011
		\$
Net earnings and comprehensive earnings under Canadian GAAP		12,128
Differences in GAAP decreasing reported earnings:		
Business acquisition expenses	(c)	(328)
Change in fair value of contingent consideration	(b)	(116)
Share-based compensation	(a)	(238)
Net earnings and comprehensive earnings under IFRS		11,446

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22. TRANSITION TO IFRS (continued)

Changes in accounting policies

In addition to the exemptions and exceptions discussed above, the following narratives explain the significant differences between the previous Canadian GAAP accounting policies and the current IFRS policies applied by the Company.

Share-based compensation

Under IFRS, when a share-based payment vests in instalments over a vesting period ("graded vesting"), each instalment is accounted for as a separate arrangement as compared to Canadian GAAP, which gave the choice of treating the instruments as a pool, with the measurement being determined using the average life of the awards granted.

Reconciliation of Canadian GAAP to IFRS

IFRS uses a conceptual framework which is similar to the Canadian GAAP. But there are important differences that exist in certain standards evaluation and disclosure. Though the adoption of IFRS did not change the Company's cash flow, it did bring changes to the Company's balance sheets and the activity results. In order to allow the financial statement users to better understand these changes, to the Company's consolidated balance sheet, consolidated statement of earnings and comprehensive earnings prepared according to Canadian GAAP were restated according to the IFRS Standards at different dates and the differences in the statements are explained, as required by IFRS 1.

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22. TRANSITION TO IFRS (continued)

Consolidated balance sheet as of July 1, 2010

Explanation	Canadian GAAP \$	IFRS adjustments \$	IFRS reclass \$	IFRS \$
ASSETS				
Current assets				
Cash	8,114			8,114
Accounts receivable	21,188			21,188
Inventories	22,708			22,708
Income taxes receivable	2,351			2,351
Prepaid expenses	460			460
	54,821	-	-	54,821
Non-current assets				
Investments in associate	886			886
Property, plant and equipment	31,681			31,681
Goodwill	19,698			19,698
Intangible assets	1,374			1,374
Total assets	108,460	-	-	108,460
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	17,158			17,158
Current portion of long-term debt	203			203
	17,361	-	-	17,361
Non-current liabilities				
Long-term debt	172			172
Deferred tax liabilities	1,335			1,335
	18,868	-	-	18,868
EQUITY				
Share capital	51,898			51,898
Equity settled reserve	(a) 1,369	334		1,703
Retained earnings	(a) 36,325	(334)		35,991
Total equity attributable to shareholders	89,592	-	-	89,592
Total liabilities and equity	108,460	-	-	108,460

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22. TRANSITION TO IFRS (continued)

Consolidated statement of earnings and comprehensive earnings for the year ended June 30, 2011

Explanation	Canadian GAAP	IFRS adjustments	IFRS reclass	IFRS
	\$	\$	\$	\$
Contract revenue	127,738			127,738
Cost of contract revenue (d)	92,471		6,793	99,264
Gross profit	35,267	-	(6,793)	28,474
Expenses				
General and administrative expenses (a), (c), (d)	9,247	566	1,750	11,563
Amortization of property, plant and equipment (d)	7,159		(7,159)	-
Amortization of intangible assets (d)	1,510		(1,510)	-
Foreign exchange losses (d)	41		(41)	-
Gain on disposal of property, plant and equipment (d)	(126)		126	-
Interest on long-term debt (d)	258		(258)	-
Interest and bank charges (b), (d)	182	116	(298)	-
Other operating expenses (d)	-		41	41
Finance costs (d)	-		556	556
	18,271	682	(6,793)	12,160
Earnings before the following items	16,996	(682)	-	16,314
Share in net earnings of associate	225			225
Gain on investments in associate	209			209
Earnings before income taxes	17,430	(682)	-	16,748
Income taxes	5,302			5,302
Net earnings and comprehensive earnings	12,128	(682)	-	11,446

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22. TRANSITION TO IFRS (continued)

Consolidated balance sheet as of June 30, 2011

Explanation	Canadian GAAP	IFRS adjustments	IFRS reclass	IFRS
	\$	\$	\$	\$
ASSETS				
Current assets				
Accounts receivable	33,865			33,865
Inventories	33,646			33,646
Income taxes receivable	2,412			2,412
Prepaid expenses	689			689
	70,612	-	-	70,612
Non-current assets				
Property, plant and equipment	43,223			43,223
Goodwill	21,061	1,654		22,715
Intangible assets	6,044	42		6,086
Total assets	140,940	1,696	-	142,636
LIABILITIES				
Current liabilities				
Bank overdraft	698			698
Accounts payable and accrued liabilities	19,009			19,009
Contingent consideration	-	774		774
Current portion of long-term debt	168			168
	19,875	774	-	20,649
Non-current liabilities				
Contingent consideration	-	1,356		1,356
Long-term debt	14,673			14,673
Deferred tax liabilities	2,605	10		2,615
	37,153	2,140	-	39,293
EQUITY				
Share capital	53,386			53,386
Equity settled reserve	1,948	572		2,520
Retained earnings	48,453	(1,016)	-	47,437
Total equity attributable to shareholders	103,787	(444)	-	103,343
Total liabilities and equity	140,940	1,696	-	142,636

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22. TRANSITION TO IFRS (continued)

(a) Share-based compensation

Canadian GAAP - For grants of share-based awards with graded vesting, the total fair value of the award is recognized on a straight-line basis over the employment period necessary to vest the award.

IFRS - Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis. As a result, the Company adjusted its expense for share-based awards to reflect this difference in recognition for all stock options granted.

(b) Business combinations - Contingent consideration

Canadian GAAP - Contingent consideration was recognized as part of the purchase price when they were paid.

IFRS - Contingent consideration is recognized at fair value at the date of the acquisition date. The Company has booked a contingent consideration related to the acquisition of 1085820 Ontario Limited (Advantage Control Technologies).

(c) Business combination - Acquisition costs

Canadian GAAP - The acquisition costs were accounted for as part of the purchase price.

IFRS - The acquisition costs are accounted for as an expense in the statement of earnings. The Company accounted for in the statement of earnings the acquisition costs related to the acquisitions of 1085820 Ontario Limited (Advantage Control Technologies) and Morris Drilling inc.

(d) Statement of earnings reclassification

Canadian GAAP - The income statement should present fairly the results of operations for the year and should provide some specific information, however the concept of the classification either by nature or by function is not addressed.

IFRS - An entity shall present an analysis of expenses recognized in profit and loss using a classification based on either their nature or their function within the entity, whichever provides information that is reliable and more relevant. The Company believes that the classification of its expenses by function is more relevant.

As a result, the amortization has been reclassified between cost of contract revenue and general and administrative expenses. Also, interest on long-term debt, interest and bank charges, foreign exchange losses and gain on disposal of property plant and equipment has been reclassified in their respective function.