FORAGE ORBIT GARANT DRILLING

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2013 and 2012

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying audited 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 and are approved by the Board of Directors.

The consolidated financial statements have been prepared by management 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 are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting 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.

Deloitte 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. Deloitte s.e.n.c.r.l. has full and free access to the Audit Committee.

Éric Alexandre, CPA, CMA
President and Chief Executive Officer

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

Val-d'Or, Quebec
September 26, 2013

Deloitte s.e.n.c.r.l.
155, avenue Dallaire
Rouyn-Noranda QC J9X 4T3
Canada

Tél. : 819-762-5764
Téléc. : 819-797-1471
www.deloitte.ca

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 statements of financial position as at June 30, 2013 and June 30, 2012, and the consolidated statements of earnings and comprehensive earnings, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, 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, 2013 and June 30, 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte s.e.n.c.r.l.[1]

September 26, 2013

[1] CPA auditor, CA, public accountancy permit No. A116207

ORBIT GARANT DRILLING INC.

Consolidated statements of earnings and comprehensive earnings

For the years ended June 30, 2013 and 2012

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

	Notes	June 30 2013	June 30 2012
		$	$
Contract revenue	19	104,171	154,756
Cost of contract revenue	6	88,674	121,094
Gross profit		15,497	33,662
Expenses			
General and administrative expenses	2 - 6	12,870	17,104
Other expenses (revenues)	6	(56)	145
Finance costs	6	1,320	1,331
Impairment of goodwill and intangible assets	9 - 10	28,200	-
		42,334	18,580
Earnings (loss) before income taxes		(26,837)	15,082
Income taxes (recovery)	14		
Current		1,261	4,710
Deferred		(1,628)	12
		(367)	4,722
Net earnings (loss) and comprehensive earnings (loss) attribuable to shareholders		(26,470)	10,360
Earnings (loss) per share attribuable to shareholders	13		
Basic		(0.80)	0.31
Diluted		(0.80)	0.30

See accompanying notes to consolidated financial statements.

ORBIT GARANT DRILLING INC.
Consolidated statements of changes in equity
For the years ended June 30, 2013 and 2012
(in thousands of Canadian dollars)

Year ended June 30, 2013	Share capital	Equity settled reserve	Retained Earnings	Total Shareholders' Equity
	$	$	$	$
	(Note 13)	(Note 13)		
Balance as of July 1, 2012	54,411	3,524	57,797	115,732
Net loss and comprehensive loss	-	-	(26,470)	(26,470)
Share-based compensation	-	956	-	956
Balance as of June 30, 2013	54,411	4,480	31,327	90,218

Year ended June 30, 2012	Share capital	Equity settled reserve	Retained Earnings	Total Shareholders' Equity
	$	$	$	$
	(Note 13)	(Note 13)		
Balance as of July 1, 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	54,411	3,524	57,797	115,732

See accompanying notes to consolidated financial statements.

ORBIT GARANT DRILLING INC.
Consolidated statements of financial position
As of June 30, 2013 and June 30, 2012
(in thousands of Canadian dollars)

	Notes	June 30 2013	June 30 2012
		$	$
ASSETS			
Current assets			
Cash		1,507	1,959
Accounts receivable	18	18,157	35,765
Inventories	7	38,751	42,036
Income taxes receivable		2,292	1,503
Prepaid expenses		1,019	1,165
		61,726	82,428
Non-current assets			
Property, plant and equipment	8	53,729	55,880
Goodwill	9	-	26,771
Intangible assets	10	1,748	5,072
Total assets		117,203	170,151
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		9,772	20,206
Contingent considerations	2 - 18	367	1,564
Current portion of long-term debt	11	338	401
		10,477	22,171
Non-current liabilities			
Contingent considerations	2 - 18	729	2,792
Long-term debt	11	14,421	25,971
Deferred tax liabilities	14	1,358	3,485
		26,985	54,419
EQUITY			
Share capital	13	54,411	54,411
Equity settled reserve	13	4,480	3,524
Retained earnings		31,327	57,797
Equity attributable to shareholders		90,218	115,732
Total liabilities and equity		117,203	170,151

APPROVED BY THE BOARD

Éric Alexandre, Director

Jean-Yves Laliberté, Director

See accompanying notes to consolidated financial statements.

ORBIT GARANT DRILLING INC.
Consolidated statements of cash flows
For the years ended June 30, 2013 and 2012
(in thousands of Canadian dollars)

	Notes	June 30 2013	June 30 2012
		$	$
OPERATING ACTIVITIES			
Earnings (loss) before income taxes		(26,837)	15,082
Items not affecting cash:			
Depreciation of property, plant and equipment	8	10,854	9,412
Amortization of intangible assets	10	1,895	2,064
Loss (gain) on disposal of property, plant and equipment	8	187	(168)
Share-based compensation	13	956	1,009
Finance costs		996	1,224
Reversal of contingent considerations	2 - 18	(3,184)	-
Change in fair value of contingent considerations	18	324	107
Impairment of goodwill and intangible assets	9 - 10	28,200	-
		13,391	28,730
Changes in non-cash operating working capital items	15	10,605	(7,570)
Income taxes paid		(2,549)	(3,801)
Finance costs paid		(930)	(1,158)
		20,517	16,201
INVESTING ACTIVITIES			
Business acquisition of Lantech Drilling Services Inc., including bank overdraft	2	-	(5,445)
Payment of contingent consideration	2	(400)	-
Acquisition of property, plant and equipment	8	(9,281)	(18,377)
Proceeds from disposal of property, plant and equipment		397	1,675
		(9,284)	(22,147)
FINANCING ACTIVITIES			
Proceeds from issuance of shares		-	31
Proceeds from long-term debt		65,055	102,925
Repayment of long-term debt		(76,734)	(94,394)
		(11,679)	8,562
Effect of exchange rate changes		(6)	41
Increase (decrease) in cash		(452)	2,657
Cash (bank overdraft), beginning of year		1,959	(698)
Cash, end of year		1,507	1,959

See accompanying notes to consolidated financial statements.

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

1. DESCRIPTION OF BUSINESS

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

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

	% of voting rights
Services de forage Orbit Garant Inc.	100%
9116-9300 Québec inc.	100%
Orbit Garant Ontario Inc.	100%
Drift Exploration Drilling Inc.	100%
Drift de Mexico SA de CV	100%
Lantech Drilling Services Inc.	100%
Lantech Liberia Limited (since September 5, 2012)	100%
Perforación Orbit Garant Chile SpA (since April 23, 2013)	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 is not 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 based on certain specific financial objectives regarding earnings levels for the fiscal years ending December 15, 2012, 2013 and 2014. This contingent consideration was evaluated at fair value at the acquisition date. On June 30, 2013, an amount of $400 was paid for the contingent consideration due December 15, 2012. For the balance of the contingent considerations due on December 15, 2012 and December 15, 2013, so far, the Company has not reached the specific financial objectives that were fixed and Management does not anticipate reaching them.

In accordance with the recommendations of IFRS 3, the Company therefore reversed its current liabilities for the amounts of $400 for a contingent consideration which was due December 15, 2012 and $777 which was due December 15, 2013, as a reduction of the general and administrative expenses.

The results of operations of Lantech Drilling Services Inc. are included in the consolidated financial statements from December 16, 2011.

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

2. BUSINESS ACQUISITIONS (continued)

The purchase price of that above transaction was allocated to the net assets acquired on the basis of their fair values as follows:

Business acquisition date:	Lantech Drilling Services Inc. (December 16, 2011)
	$
Accounts receivable	4,588
Other current assets	4,497
Property, plant and equipment	5,240
Goodwill	4,056
Intangible assets	1,050
Bank overdraft	(1,939)
Current liabilities	(3,976)
Long-term debt	(2,935)
Deferred income taxes	(858)
Purchase price	9,723
Consideration	
Cash	3,506
Issuance of common shares	989
Account payable related to net working capital adjustment	3,109
Contingent consideration	2,119
	9,723

Acquisition of 1085820 Ontario Limited (Advantage Control Technologies):

The purchase price of 1085820 Ontario Limited is subject to an adjustment of an amount up to $2,400 calculated based on certain specific financial objectives for the periods ended November 8, 2011, 2012 and 2013. This contingent consideration has been evaluated at fair value at the acquisition date. For the periods ended November 8, 2011 and November 8, 2012, the Company 1085820 Ontario Limited had not reached the specific financial objectives, and therefore the Company has reversed an amount of $1,600 of the contingent liabilitiies related to these periods. For the contingent consideration due November 8, 2013, Management evaluated its specific financial objectives and therefore the Company reversed an amount of $407 of contingent consideration related to this period.

In accordance with the recommendations of IFRS 3, the Company therefore reversed the accrued contingent consideration of its current liabilities for the amounts of $800 which was due November 8, 2011, $800 which was due November 8, 2012 and $407 due November 8, 2013, as a reduction of the general and administrative expenses.

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 form them cannot be reliably measured.

Business acquisition costs

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards («IFRS»), issued and effective, or issued and early adopted, for the year ended June 30, 2013. The IFRS accounting policies set out below were consistently applied to all periods presented.

The preparation of financial statements in conformity with IFRS 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.

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

These consolidated financial statements were approved for issue by the Board of Directors of Orbit Garant Drilling Inc. on September 26, 2013.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Asset/Liability	Classification	Measurement
Cash	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 depreciation 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 depreciation 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 date 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 transfered 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

Depreciation 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, 2013, Management assesses that the useful lives represent the expected utility of the assets to the Company.

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

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.

Impairment of long-lived assets

An impairment loss is recognized when the carrying amount of an asset is not recoverable and exceeds its recoverable value. Management reviews on a regular basis the impairment assesment of its property, plant and equipment to criteria defined in Note 3.

Estimated impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires Management to estimate future cash flows expected to arise from the CGU and suitable discount rate in order to calculate present value. The key assumptions required for the value in use estimation are the future cash flows growth rate and the discount rate. Cash flows for each CGU are derived from the budget for the upcoming year and a long-term forecast prepared by Management, which covers a period of 5 years. The budget, which is approved on an annual basis by members of the Company's Board of Directors and Management, and long-term forecast, which is prepared on an annual basis by the Company's Management, are the primary sources for the determination of value in use. The values assigned to the key assumptions reflect past experience and are consistent with external sources of information (see Note 9).

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.

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

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.

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 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.

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

5. RECENT ACCOUNTING PRONOUNCEMENT (continued)

IFRS 7 - Financial instruments - Disclosure, and IAS 32 - Financial instruments - Presentation

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

IAS 19 - Employee benefits

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

IAS 27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures

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

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

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

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

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

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

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

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

6. EXPENSES BY NATURE

Detail of the depreciation and amortization expenses

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

	June 30 2013	June 30 2012
	$	$
Cost of contract revenue	9,874	8,544
General and administrative expenses	2,875	2,932
Total depreciation and amortization	12,749	11,476

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

6. EXPENSES BY NATURE (continued)

Principal expenses by nature

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

	June 30 2013	June 30 2012
	$	$
Depreciation and amortization	12,749	11,476
Employee benefits expense	52,986	68,097
Cost of inventory	25,485	31,661
Other expenses	39,788	28,440
Total cost contract revenue, general and administrative expenses, other expenses (revenues), finance costs and impairment of goodwill and intangible assets	131,008	139,674

7. INVENTORIES

Inventories consist of the following:

	June 30 2013	June 30 2012
	$	$
Spare parts, gross	11,094	10,651
Consumables, gross	26,493	30,301
Other	1,164	1,084
	38,751	42,036

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, rods, hammers, wire lines and casing. Consumable are charged to the statement of earnings when they are used.

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

	June 30 2013	June 30 2012
	$	$
	25,485	31,661

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.

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

8. PROPERTY, PLANT AND EQUIPMENT

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

	Land	Buildings and components	Drilling equipment	Vehicles	Other	Total
Cost	$	$	$	$	$	$
Balance as at July 1, 2012	512	9,762	57,202	14,591	2,808	84,875
Additions	-	85	6,887	1,949	360	9,281
Disposals	-	-	(2,256)	(1,316)	-	(3,572)
Effect of movements in exchange rates	-	-	3	3	-	6
Balance as at June 30, 2013	512	9,847	61,836	15,227	3,168	90,590
Accumulated Depreciation						
Balance as at July 1, 2012	-	752	21,170	5,865	1,208	28,995
Depreciation	-	577	7,562	2,359	356	10,854
Disposals	-	-	(1,973)	(1,015)	-	(2,988)
Balance as at June 30, 2013	-	1,329	26,759	7,209	1,564	36,861

	Land	Buildings and components	Drilling equipment	Vehicles	Other	Total
	$	$	$	$	$	$
Cost						
Balance as at July 1, 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 Depreciation						
Balance as at July 1, 2011	-	224	16,158	4,067	854	21,303
Depreciation	-	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:						
June 30, 2012	512	9,010	36,032	8,726	1,600	55,880
June 30, 2013	512	8,518	35,077	8,018	1,604	53,729

The loss on disposal of property, plant and equipment totalling $187 for the year ended June 30, 2013 (a gain of $168 for the year ended June 30, 2012) is included in cost of contract revenue.

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

9. GOODWILL

The following table details a reconciliation of the amount of the Company's goodwill:

	$
Balance as at July 1, 2011	22,715
Business acquisition (note 2)	4,056
Balance as at June 30, 2012	26,771
Impairment of goodwill	(26,771)
Balance as at June 30, 2013	-

Impairment of goodwill

The Company has performed its annual goodwill impairment testing. Due to the weaknesses of the market, an impairment charge of $18,930 relating to the Canada CGU and an impairment charge of $7,841 relating to the International CGU has been recognised. The valuation for impairment testing is based on an assessment of fair value less cost to sell and the value in use.

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 form the synergies of the business combinations in which the goodwill arises:

	June 30 2013	June 30 2012
	$	$
Canada	-	18,930
International	-	7,841
	-	26,771

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 discount rate before tax of 17.8% per annum (2012: 15.8% 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.

9. GOODWILL (continued)

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 discount rate before tax of 21% per annum (2012: 24.4% 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.

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 gross 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.

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

10. INTANGIBLE ASSETS

Changes in the intangible assets balance were as follows:

Customer relationship	Cost	Accumulated amortization	Total
	$	$	$
Balance as at July 1, 2011	16,964	(14,283)	2,681
Business acquisitions (Note 2)	1,050	-	1,050
Amortization	-	(1,174)	(1,174)
Balance as at June 30, 2012	18,014	(15,457)	2,557
Amortization	-	(1,189)	(1,189)
Impairment of intangible assets	-	(1,368)	(1,368)
Elimination of cost of intangible assets completely amortized and impaired	(18,014)	18,014	-
Balance as at June 30, 2013	-	-	-

Drilling technology	Cost	Accumulated amortization	Total
	$	$	$
Balance as at July 1, 2011	2,912	-	2,912
Amortization	-	(582)	(582)
Balance as at June 30, 2012	2,912	(582)	2,330
Amortization	-	(582)	(582)
Balance as at June 30, 2013	2,912	(1,164)	1,748

Non-compete agreement	Cost	Accumulated amortization	Total
	$	$	$
Balance as at July 1, 2011	2,480	(1,987)	493
Amortization	-	(308)	(308)
Balance as at June 30, 2012	2,480	(2,295)	185
Amortization	-	(124)	(124)
Impairment of intangible assets	-	(61)	(61)
Elimination of cost of intangible assets completely amortized and impaired	(2,480)	2,480	-
Balance as at June 30, 2013	-	-	-

Due to the weaknesses of the market, an impairment charge of $1,368 relating to the customer relationship and an impairment charge of $61 relating to the non-compete agreement has been recognised.

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

11. LONG-TERM DEBT

	June 30 2013	June 30 2012
	$	$
Loan authorized for a maximum amount of $40 million, bearing interest at prime rate plus 0.5%, effective rate as at June 30, 2013 3.5%, maturing May 2015, secured by first rank hypothec on the universality of all present and future assets (a) (b)	14,355	25,590
Loans, bearing interest at rates ranging from 0% to 1.5%, payable in monthly instalments of $31, maturing in September 2014, secured by certain vehicles of a net book value of $912 as at June 30, 2013 and $1,183 as at June 30, 2012	404	782
	14,759	26,372
Current portion	(338)	(401)
	14,421	25,971

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

(b) An unamortized amount of $144 ($210 as at June 30, 2012), representing financing fees has been presented in deduction of the long-term debt. This amount is being amortized to earnings over the term of the debt, using the effective interest method.

Under the terms of the long-term debt agreement, the Company must satisfy certain restrictive covenants as to minimum financial ratios (Note 12).

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

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

	$
2014	338
2015	14,565

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

12. 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 2013	June 30 2012
	$	$
Long-term debt	14,759	26,372
Share capital	54,411	54,411
Equity settled reserve	4,480	3,524
Retained earnings	31,327	57,797
Cash	(1,507)	(1,959)
	103,470	140,145

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

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

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

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

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

13. 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.

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

(a) Issuance of common shares:

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

Earnings (loss) per share

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

Earnings (loss) per share - basic	June 30 2013	June 30 2012
Net earnings (loss) available to common shareholders	(26,470) $	10,360 $
Weighted average basic number of common shares outstanding	33,276,519	33,175,208
Earnings (loss) per share - basic	(0.80) $	0.31 $

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

13. SHARE CAPITAL (continued)

Earnings (loss) per share - diluted	June 30 2013	June 30 2012
Net earnings (loss) available to common shareholders	(26,470) $	10,360 $
Weighted average basic number of common shares outstanding	33,276,519	33,175,208
Adjustment to average number of common shares - stock options	-	955,726
Weighted average diluted number of common shares outstanding	33,276,519	34,130,934
Earnings (loss) per share - diluted	(0.80) $	0.30 $

The calculation of the diluted earnings (loss) per share for the year ended June 30, 2013 excludes the effect of 2,178,500 options (972,000 for the year ended June 30, 2012) as they are anti-dilutive.

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.

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

13. SHARE CAPITAL (continued)

The Board of Directors, through the recommendation of the Corporate Governance and Compensation Committee, manage the 2008 Stock Option Plan and 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 vest at a rate of 20% per annum commencing 12 months after the date of grant and 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.

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

	June 30, 2013		June 30, 2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Outstanding at the beginning of year	2,623,000	3.25	2,333,500	2.94
Granted during the year	550,000	2.28	300,000	5.60
Exercised during the year	-	-	(10,500)	1.00
Outstanding at end of year	3,173,000	3.08	2,623,000	3.25
Exercisable at end of year	2,044,000	2.66	1,726,000	2.29

The following table summarizes information on stock options outstanding at June 30, 2013:

Range of exercise price $	Outstanding at June 30, 2013	Weighted average remaining life (years)	Weighted average exercise price $	Exercisable at June 30, 2013	Weighted average exercise price $
1.00 - 1.50	1,033,000	3.62	1.02	1,033,000	1.02
2.00 - 2.50	550,000	6.38	2.28	-	0.00
4.00	925,000	5.44	4.00	805,000	4.00
5.60 - 6.02	665,000	4.85	5.67	206,000	5.69
	3,173,000			2,044,000	

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 2012	Granted in November 2011
Risk-free interest rate	1.27%	2.07%
Expected life (years)	7	5
Expected volatility (based on historical volatility)	75.73%	70.06%
Expected dividend yield	0%	0%
Fair value of options granted	$1.39	$3.76

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

13. SHARE CAPITAL (continued)

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

	June 30 2013	June 30 2012
	$	$
Expense related to share-based compensation	956	1,009

14. INCOME TAXES

Income tax expense (recovery) comprises the following:

	June 30 2013	June 30 2012
Current tax	$	$
Current year	1,061	4,713
Prior year adjustments	200	(3)
	1,261	4,710
Deferred tax		
Current year	(1,575)	(11)
Prior year adjustments	(149)	-
Effect of corporate tax rate modification	96	23
	(1,628)	12
	(367)	4,722

The tax rate prescribed by the applicable laws is at 26.52% in 2013 and at 27.27% in 2012. The applicable tax rate of the Company corresponds to Canadian combined rates applicable in the provinces where the Company operates. The decrease in the tax rate is mainly due to the reduction of the rate of federal income taxes of 16.50% effective January 1, 2012.

	June 30 2013	June 30 2012
	$	$
Earnings (loss) before income taxes	(26,837)	15,082
Statutory rates	26.52%	27.27%
Income taxes (recovery) based on statutory rates	(7,117)	4,112
Increase (decrease) of income taxes due to the following:		
Non-deductible expenses and other	10	304
Non-deductible share-based compensation expense	253	275
Non-deductible impairment of goodwill	7,100	-
Non-deductible reversal of contingent considerations	(845)	-
Effect of corporate tax rate modification	96	23
Prior year adjustments	50	(3)
Non-taxable portion of capital gain	-	(3)
Change in fair value of contingent considerations	86	14
Total income taxes (recovery)	(367)	4,722

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

14. 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:

	July 1 2012	Recognized in statements of earnings	Other	June 30 2013
	$	$	$	$
Deferred income tax assets:				
Loss carried foward	-	959	290	1,249
Total deferred income tax assets	-	959	290	1,249
Deferred income tax liabilities:				
Property, plant and equipment	2,019	157	-	2,176
Intangible assets	1,466	(826)	(209)	431
Total deferred income tax liabilities	3,485	(669)	(209)	2,607
Net deferred income tax liabilities	3,485	(1,628)	(499)	1,358

	July 1 2011	Recognized in statements of earnings	Business acquisitions (Note 2)	June 30 2012
	$	$	$	$
Deferred income tax assets:				
Share issue costs	217	(217)	-	-
Total deferred income tax assets	217	(217)	-	-
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	2,832	(205)	858	3,485
Net deferred income tax liabilities	2,615	12	858	3,485

15. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

Changes in non-cash operating working capital items:

	June 30 2013	June 30 2012
	$	$
Accounts receivable	17,608	2,688
Inventories	3,285	(3,980)
Prepaid expenses	146	(389)
Accounts payable and accrued liabilities	(10,434)	(5,889)
	10,605	(7,570)

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

16. COMMITMENTS

The Company has entered into operating lease agreements expiring in 2017 which call for lease payments of $339 for the rental of vehicles. The Company has also entered into lease agreements for offices expiring in 2021 for minimum lease payments of $1,358. None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions. The minimum lease payments under lease agreements for the next five years are detailed as follows:

	$
2014	408
2015	299
2016	208
2017	188
2018	178
Subsequent years	416

Lease payments recognised as an expense during the year amount to $468 (year ended June 30, 2012: $369). 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.

17. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	June 30 2013	June 30 2012
	$	$
Salaries and fees	1,102	1,422
Share-based compensation	514	708
	1,616	2,130

18. 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, 2013, the Company has cash in US dollars for an amount of $1,098 (June 30, 2012, $935) and accounts receivable in US dollars for an amount of $522 (June 30, 2012, $2,195).

As at June 30, 2013, the Company has estimated that a 10% increase or decrease of the US exchange rate would have caused a corresponding annual increase or decrease in net earnings and comprehensive earnings of approximately $68 (June 30, 2012, $193).

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

18. 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, 2013, the amount of the insurance coverage from EDC represents approximately 35% of the accounts receivable (24% in June 30, 2012).

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

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

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

	June 30 2013	June 30 2012
	$	$
Balance at beginning of year	308	734
Change in allowance, other than write-offs and recoveries	1,547	315
Write-offs of trade receivables	(406)	(733)
Recoveries	(210)	(8)
Balance at end of year	1,239	308

As at June 30, 2013, 37% (June 30, 2012: 43%) of the trade accounts receivable are aged as current and 7% are impaired (June 30, 2012: 1%).

One major customer represent 26% of the trade accounts receivable as at June 30, 2013 (June 30, 2012, two major customer represents 34% of these accounts).

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

18. FINANCIAL INSTRUMENTS (continued)

One major customer represent 22% of the contract revenue for the year ended June 30, 2013 (year ended June 30, 2012, one major customer represents 15%).

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 June 30, 2013, the Company has estimated that a 1% point increase or decrease in interest rates would have caused a corresponding annual increase or decrease in net earnings of approximately $110 (June 30, 2012, $187).

Fair value

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

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

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

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

As at June 30, 2013 and 2012, 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 intrument.

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

18. FINANCIAL INSTRUMENTS (continued)

The changes in the contingent considerations are detailed below:

	June 30 2013	June 30 2012
	$	$
Balance at beginning of year	4,356	2,130
Business acquisitions (Note 2)	-	2,119
Payment of contingent considerations	(400)	-
Reversal of contingent considerations (Note 2)	(3,184)	-
Change in fair value of contingent considerations	324	107
Balance at end of year	1,096	4,356

There were no transfers of amounts between Level 1, Level 2 and Level 3 financial instruments for the years ended June 30, 2013 and 2012.

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 12 are details of undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

	As at June 30, 2013			
	Total	0 -1 year	2 - 3 years	4 - 5 years
	$	$	$	$
Accounts payable and accrued liabilities	9,772	9,772	-	-
Contingent considerations	1,175	375	800	-
Long-term debt (capital only)	14,903	338	14,565	-
	25,850	10,485	15,365	-

	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
	51,588	22,207	3,516	25,865

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

19. SEGMENTED INFORMATION

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

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

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

	June 30 2013	June 30 2012
	$	$
Contract revenue		
Canada	97,643	132,925
International	6,528	21,831
	104,171	154,756
Gross profit		
Canada	16,561	22,482
International	(1,064)	11,180
	15,497	33,662
General corporate expenses	41,014	17,249
Finance costs	1,320	1,331
Income taxes (recovery)	(367)	4,722
	41,967	23,302
Net earnings (loss)	(26,470)	10,360
Depreciation and amortization		
Canada	8,757	7,577
International	1,117	967
Unallocated and corporate assets	2,875	2,932
	12,749	11,476

	As at June 30, 2013	As at June 30, 2012
	$	$
Identifiable assets		
Canada	104,187	153,707
International	13,016	16,444
	117,203	170,151
Property, plant and equipment		
Canada	48,928	49,939
International	4,801	5,941
	53,729	55,880