FORAGE ORBIT GARANT DRILLING

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2015 and 2014

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying audited consolidated financial statements («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 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 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 as at June 30, 2015. Based on this evaluation, Management has concluded that the Company's internal control over financial reporting as at June 30, 2015, was effective to provide reasonable assurance regarding the reliability of the Company’s financial reporting and the preparation of its financial statements for external purposes in accordance with applicable accounting principles.

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 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 its members are independent directors. The Audit Committee meets periodically with management and independent auditors to review internal controls, audit results and accounting principles. Acting on the recommendation of the Audit Committee, the financial statements are forwarded to the Board of Directors of the Company for its approval.

The financial statements have been audited, on behalf of the shareholders, by Deloitte LLP, the independent auditor, in accordance with Canadian generally accepted auditing standards. The independent auditor has full and free access to the Audit Committee and may meet with or without the presence of management.

(signed) Éric Alexandre
Éric Alexandre, CPA, CMA
President and Chief Executive Officer

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

Val-d’Or, Quebec
September 22, 2015

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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, 2015 and June 30, 2014, and the consolidated statements of loss and comprehensive loss, 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, 2015 and June 30, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) Deloitte LLP [1]

September 22, 2015

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

ORBIT GARANT DRILLING INC.
Consolidated statements of loss and comprehensive loss
For the years ended June 30, 2015 and 2014
(in thousands of Canadian dollars, except for data per share)

	Notes	June 30 2015	June 30 2014
		$	$
Contract revenue	23	78,964	71,549
Cost of contract revenue	8	75,749	67,795
Gross profit		3,215	3,754
Expenses			
General and administrative expenses	2 - 8	12,031	11,440
Other revenues	8	(116)	(66)
Finance costs	8	591	845
Restructuring costs	8 - 9	-	342
		12,506	12,561
Loss before income taxes		(9,291)	(8,807)
Income taxes recovery	17		
Current		(1,020)	(1,237)
Deferred		(884)	(1,268)
		(1,904)	(2,505)
Loss and comprehensive loss attributable to shareholders		(7,387)	(6,302)
Loss per share attributable to shareholders	16		
Basic		(0.22)	(0.19)
Diluted		(0.22)	(0.19)

See accompanying notes to consolidated financial statements.

ORBIT GARANT DRILLING INC.

Consolidated statements of changes in equity

For the years ended June 30, 2015 and 2014

(in thousands of Canadian dollars)

Year ended June 30, 2015	Share capital	Equity settled reserve	Retained Earnings	Total Shareholders' Equity
	$	$	$	$
	(Note 16)	(Note 16)		
Balance as of July 1, 2014	54,411	5,133	25,025	84,569
Net loss and comprehensive loss	-	-	(7,387)	(7,387)
Share-based compensation	-	437	-	437
Stock option cancelled	-	(4,112)	4,112	-
Balance as of June 30, 2015	54,411	1,458	21,750	77,619

Year ended June 30, 2014	Share capital	Equity settled reserve	Retained Earnings	Total Shareholders' Equity
	$	$	$	$
	(Note 16)	(Note 16)		
Balance as of July 1, 2013	54,411	4,480	31,327	90,218
Net loss and comprehensive loss	-	-	(6,302)	(6,302)
Share-based compensation	-	653	-	653
Balance as of June 30, 2014	54,411	5,133	25,025	84,569

See accompanying notes to consolidated financial statements.

ORBIT GARANT DRILLING INC.

Consolidated statements of financial position

As of June 30, 2015 and June 30, 2014

(in thousands of Canadian dollars)

	Notes	June 30 2015	June 30 2014
		$	$
ASSETS			
Current assets			
Cash		396	335
Accounts receivable	22	18,890	15,540
Inventories	10	33,878	36,423
Income taxes receivable		1,244	1,869
Prepaid expenses		1,412	1,280
		55,820	55,447
Non-current assets			
Investments	11	424	300
Property, plant and equipment	12	39,705	46,040
Intangible assets	13	583	1,166
Deferred tax assets	17	833	-
Total assets		97,365	102,953
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		12,298	9,623
Contingent considerations	2 - 22	-	146
Current portion of long-term debt	14	-	8,547
		12,298	18,316
Non-current liabilities			
Long-term debt	14	7,448	-
Deferred tax liabilities	17	-	68
		19,746	18,384
EQUITY			
Share capital	16	54,411	54,411
Equity settled reserve	16	1,458	5,133
Retained earnings		21,750	25,025
Equity attributable to shareholders		77,619	84,569
Total liabilities and equity		97,365	102,953

APPROVED BY THE BOARD

(signed) Éric Alexandre

Éric Alexandre, Director

(signed) Jean-Yves Laliberté

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, 2015 and 2014
(in thousands of Canadian dollars)

	Notes	June 30 2015	June 30 2014
		$	$
OPERATING ACTIVITIES			
Loss before income taxes		(9,291)	(8,807)
Items not affecting cash:			
Depreciation of property, plant and equipment	12	9,869	10,466
Amortization of intangible assets	13	583	582
Write-off of property, plant and equipment	12	217	-
Loss (gain) on disposal of property, plant and equipment	12	12	(21)
Gain on disposal of investments	11	(31)	-
Share-based compensation	16	437	653
Finance costs, excluding change in fair value of contingent considerations		587	789
Reversal of contingent considerations	2 - 22	(150)	(1,006)
Change in fair value of contingent considerations	22	4	56
		2,237	2,712
Changes in non-cash operating working capital items	18	1,738	4,351
Income taxes recovered		1,628	1,638
Finance costs paid		(721)	(663)
		4,882	8,038
INVESTING ACTIVITIES			
Acquisition of investments	11	(135)	(116)
Proceeds from disposal of investments	11	42	-
Acquisition of property, plant and equipment	12	(4,032)	(3,102)
Proceeds from disposal of property, plant and equipment	12	295	355
		(3,830)	(2,863)
FINANCING ACTIVITIES			
Proceeds from long-term debt		48,650	44,800
Repayment of long-term debt		(49,615)	(51,138)
		(965)	(6,338)
Effect of exchange rate changes		(26)	(9)
Increase (decrease) in cash		61	(1,172)
Cash, beginning of year		335	1,507
Cash, end of year		396	335

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

1. DESCRIPTION OF BUSINESS

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

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

	% of voting rights
Services de forage Orbit Garant Inc.	100%
9116-9300 Québec inc.	100%
Orbit Garant Ontario Inc. (wound up into Services de forage Orbit Garant Inc. as of June 30, 2015)	100%
Drift Exploration Drilling Inc.	100%
Drift de Mexico SA de CV	100%
Lantech Drilling Services Inc.	100%
Perforación Orbit Garant Chile SpA	100%
Orbit Garant Drilling Ghana Limited	100%
Cygnus-Orbit Drilling SpA	100%

2. CONTINGENT CONSIDERATIONS

Lantech Drilling Services Inc.

The purchase price of Lantech Drilling Services Inc. is subject to an adjustment of an amount up to $2,400 based on certain specific financial objectives regarding earnings levels for the periods 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 amount of $400 for the contingent consideration due on December 15, 2012 and for the contingent considerations due on December 15, 2013 and December 15, 2014, the Company has not reached the specific financial objectives that were fixed.

In accordance with the guidance of IFRS 3, as at June 30, 2014, the Company reversed $631 of its current liabilities which was due December 15, 2014, and the balance of $150 was reversed as at December 15, 2014, as a reduction of the general and administrative expenses.

1085820 Ontario Limited (Advantage Control Technologies):

The purchase price of 1085820 Ontario Limited (now operating under the name of Orbit Garant Ontario Inc.) 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, 2012,1085820 Ontario Limited had not reached the specific financial objectives, and therefore the Company has reversed an amount of $1,600 of the contingent liabilities related to these periods. For the period ended November 8, 2013,1085820 Ontario Limited had not reached the specific financial objectives, and as at June 30, 2013, the Company has reversed an amount of $407 of the contingent liabilities. For the balance of the contingent consideration due November 8, 2013, Management evaluated its specific financial objectives and the Company reversed an amount of $375 as at June 30, 2014 for the contingent consideration.

2. CONTINGENT CONSIDERATIONS (continued)

In accordance with the guidance of IFRS 3, the Company reversed on several years the accrued contingent consideration of its current liabilities. As at June 30, 2014, the Company reversed the balance of the contingent consideration for an amount of $375 (June 30, 2015: $nil) due November 8, 2013, as a reduction of the general and administrative expenses.

3. BASIS OF PREPARATION

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, 2015. The IFRS accounting policies set out below were consistently applied to all periods presented.

The preparation of consolidated 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 6.

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

These consolidated financial statements were approved for issue by the Board of Directors of Orbit Garant Drilling Inc. on September 22, 2015.

4. STANDARDS AND INTERPRETATIONS ADOPTED

The following standards and amendments to existing standards have been adopted by the Company on July 1, 2014:

IAS 32 – Financial Instruments - Presentation

IAS 32 is amended to provide clarification on the application of rules to offset financial assets and financial liabilities. The following notions are clarified: legally enforceable right to offset, application of simultaneous realization or settlement, offsetting a guaranteed amount and the unit of accounting for application of the offsetting obligations.

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

IAS 36 is amended to address the disclosure information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.

IFRIC 21 – Levies

IFRIC Interpretation 21 considers how an entity should account for levies imposed by governments, other than income taxes, in its consolidated financial statements.

4. STANDARDS AND INTERPRETATIONS ADOPTED (continued)

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

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

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

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

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

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

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of loss from the effective date of acquisition 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 consideration transfered in a business combination is measured at the fair value. This consideration can be comprised of cash, assets transferred, financial instruments issued, liabilities incurred by the Company to the former owner, or future contingent payments. The identifiable assets and liabilities of the business acquired are recognized at fair value at the acquisition date.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statement of financial position within equity, separately from the equity attributable to shareholders in the «Equity» section in the consolidated statement of financial position.

Foreign currency translation

Financial statements of foreign operations are translated using the rate in effect at the end of each reporting period 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 loss.

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 loss.

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
Investments	Available-for-sale	Fair value
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.

Accounts receivable

Accounts receivable 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 accounts 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.

5. 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

Investments in publicly traded securities are classified as available-for-sale. Available-for-sale investments are recorded at fair value, with unrealized gains or losses recorded in other comprehensive loss. Realized gains or losses are recorded in the consolidated statement of loss when the investment is sold.

If the fair value of an investment declines below the carrying amount, the Company undertakes an assessment of whether the impairment is significant or prolonged. When a decline in the fair value of an available-for-sale investment has been recognized in other comprehensive loss and there is objective evidence that the investment is impaired, any cumulative loss that has been recognized in other comprehensive loss is reclassified as an impairment loss in the consolidated statement of loss.

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 begins when the property, plant and equipment are ready for their intended use.

5. 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:

Drilling technology	5 years

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 the end of each reporting period, 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 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 of disposal, and the value in use of the asset or the CGU. Fair value, less costs of disposal, 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, prorated 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 consolidated statement of loss to the extent that the carrying amount at the date of the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognised.

5. 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 reporting 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 loss 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.

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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and is net of stock options cancelled prior of being vested. When unexercised stock options are forfeited or expired, the amounts are transferred to retained earnings.

Restructuring costs

A restructuring provision is recognized when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising form the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

6. 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 Management. Any change is accounted for prospectively as a change in accounting estimate. As at June 30, 2015, 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 statement of financial position 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.

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

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 assessment of certain long-lived assets to criteria defined in Note 5. As at June 30, 2015, the Company has performed an impairment test of long-lived assets and concluded that there was no impairment charge that has to be recognised (see Notes 12 and 13).

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 tax assets

The assessment of the probability 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 financial position date and changes in estimates are reflected in the consolidated statement of loss in the reporting period in which changes occur.

6. 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.

7. RECENT ACCOUNTING PRONOUNCEMENT

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

IFRS 9 – Financial Instruments

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

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, *Revenue* , IAS 11, *Construction Contracts* , and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 is effective from periods beginning January 1, 2017, with early adoption permitted.

IAS 16 – Property, Plant and Equipment

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

IAS 38 – Intangible Assets

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

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

7. RECENT ACCOUNTING PRONOUNCEMENT (continued)

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

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

IAS 1 – Presentation of Financial Statements

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

The following amendments to the standards have been issued by the IASB and are applicable to the Company for its annual periods beginning on July 1, 2015 and thereafter, with an earlier application permitted:

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

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

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

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

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

8. EXPENSES BY NATURE

Detail of the depreciation and amortization expenses

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

	June 30 2015	June 30 2014
	$	$
Cost of contract revenue	8,820	9,458
General and administrative expenses	1,632	1,590
Total depreciation and amortization	10,452	11,048

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

8. EXPENSES BY NATURE (continued)

Principal expenses by nature

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

	June 30 2015	June 30 2014
	$	$
Depreciation and amortization	10,452	11,048
Employee benefits expense	43,465	40,726
Cost of inventory	20,260	15,568
Other expenses	14,078	13,014
Total cost of contract revenue, general and administrative expenses, other revenues, finance costs and restructuring costs	88,255	80,356

9. RESTRUCTURING COSTS

As part of the reorganization of its activities intended to implement its strategic plan and to increase efficiency and competitiveness, the Company incurred restructuring costs totalling $nil for the year ended June 30, 2015 (June 30, 2014: $342). The amount paid during the year ended June 30, 2015 for restructuring costs totalled $342 (June 30, 2014: $151).

The restructuring costs recognized for the year ended June 30, 2014 were mainly for severances.

10. INVENTORIES

Inventories consist of the following:

	June 30 2015	June 30 2014
	$	$
Spare parts, net	11,461	11,805
Consumables, net	21,360	23,521
Other	1,057	1,097
	33,878	36,423

Spare parts mainly include motors and heads. Spare parts are expensed when used on equipment. Consumables mainly include destructive tools, rods, hammers, wire lines and casings. Consumables are expensed when they are used.

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

10. INVENTORIES (continued)

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

	June 30 2015	June 30 2014
	$	$
	20,260	15,568

During the year, an amount of 295$ (2014: nil$) has been accounted for a depreciation of inventory as a result of net realizable value being lower than cost.

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

11. INVESTMENTS

Changes in investments were as follows:

	June 30 2015	June 30 2014
	$	$
Investments in public companies, beginning of year	300	-
Acquisitions of investments	135	116
Disposal of investments	(11)	-
Conversion of accounts receivable	-	184
Investments in public companies, end of year	424	300

The Company holds common shares in publicly traded companies. These shares are designated as available-for-sale and are reported at fair value, reflecting their quoted share price as at the financial position date. As at June 30, 2015, the investments are recorded at the original cost of $424 ($300 as at June 30, 2014). As at June 30, 2015, the fair value of these investments approximates their original cost.

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

12. PROPERTY, PLANT AND EQUIPMENT

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

	Land	Buildings and components	Drilling equipment	Vehicles	Other	Total
Cost	$	$	$	$	$	$
Balance as at July 1, 2014	512	9,788	62,813	14,246	2,738	90,097
Additions	-	13	2,966	875	178	4,032
Disposals	-	-	(577)	(1,066)	(26)	(1,669)
Write-off	-	-	(697)	-	-	(697)
Effect of movements in exchange rates	-	-	138	31	1	170
Balance as at June 30, 2015	512	9,801	64,643	14,086	2,891	91,933
Accumulated Depreciation						
Balance as at July 1, 2014	-	1,874	32,967	7,794	1,422	44,057
Depreciation	-	556	7,096	1,722	495	9,869
Disposals	-	-	(614)	(725)	(23)	(1,362)
Write-off	-	-	(480)	-	-	(480)
Effect of movements in exchange rates	-	-	130	14	-	144
Balance as at June 30, 2015	-	2,430	39,099	8,805	1,894	52,228

	Land	Buildings and components	Drilling equipment	Vehicles	Other	Total
Cost	$	$	$	$	$	$
Balance as at July 1, 2013	512	9,847	61,836	15,227	3,168	90,590
Additions	-	14	2,433	503	152	3,102
Disposals	-	(73)	(1,476)	(1,490)	(580)	(3,619)
Effect of movements in exchange rates	-	-	20	6	(2)	24
Balance as at June 30, 2014	512	9,788	62,813	14,246	2,738	90,097
Accumulated Depreciation						
Balance as at July 1, 2013	-	1,329	26,759	7,209	1,564	36,861
Depreciation	-	572	7,553	1,906	435	10,466
Disposals	-	(27)	(1,373)	(1,307)	(578)	(3,285)
Effect of movements in exchange rates	-	-	28	(14)	1	15
Balance as at June 30, 2014	-	1,874	32,967	7,794	1,422	44,057
Net book value:						
June 30, 2014	512	7,914	29,846	6,452	1,316	46,040
June 30, 2015	512	7,371	25,544	5,281	997	39,705

The loss on disposal of property, plant and equipment totalling $12 for the year ended June 30, 2015 (a gain of $21 for the year ended June 30, 2014) is included in cost of contract revenue. The write-off of property, plant and equipment totalling $217 for the year ended June 30, 2015 (2014: $nil) is included in cost of contract revenue. There was no impairment charge recognised for the years ended June 30, 2015 and 2014.

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

13. INTANGIBLE ASSETS

Changes in the intangible assets balance were as follows:

Drilling technology	Cost	Accumulated amortization	Total
	$	$	$
Balance as at July 1, 2013	2,912	(1,164)	1,748
Amortization	-	(582)	(582)
Balance as at June 30, 2014	2,912	(1,746)	1,166
Amortization	-	(583)	(583)
Balance as at June 30, 2015	2,912	(2,329)	583

Net book value:	
June 30, 2014	1,166
June 30, 2015	583

There was no impairment charge recognised for the years ended June 30, 2015 and 2014.

14. LONG-TERM DEBT

	June 30 2015	June 30 2014
	$	$
Loan authorized for a maximum amount of $25 million ($30 million before December 19, 2014), bearing interest at prime rate plus 0.5%, effective rate as at June 30, 2015 3.35%, maturing December 2017, secured by first rank hypothec on the universality of all present and future assets (a) (b)	7,448	8,482
Loans, bearing interest at rates ranging from 0% to 1.5%, payable in monthly instalments of $26, matured in September 2014	-	65
	7,448	8,547
Current portion	-	(8,547)
	7,448	-

(a) The rate is variable based on the quarterly calculation of a financial ratio and can vary from prime rate plus 0.5% to 2.25% (0.5% to 2.0% before December 19, 2014).

(b) An unamortized amount of $152 ($18 as at June 30, 2014), 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 15). As at June 30, 2015, the Company was compliant with its financial covenants (June 30, 2014: the Company was not compliant with certain of its financial covenants).

On June 30, 2015, the prime rate was 2.85% (3% as at June 30, 2014).

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

14. LONG-TERM DEBT (continued)

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

	$
2016	-
2017	-
2018	7,600

15. 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 2015	June 30 2014
	$	$
Long-term debt	7,448	8,547
Share capital	54,411	54,411
Equity settled reserve	1,458	5,133
Retained earnings	21,750	25,025
Cash	(396)	(335)
	84,671	92,781

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

Under the terms of certain of the Company's debt agreements, the Company must satisfy certain financial covenants, such as Senior debt to earnings before income taxes, interest, depreciation and amortization ratio, Senior debt to capitalization ratio and fixed charge coverage ratio. Such agreements also limit, among other things, the Company's ability to incur additional indebtedness, create liens, engage in mergers or acquisitions and make dividend and other payments. As at June 30, 2015, as mentioned in Note 14, the Company complied with its covenants (June 30, 2014: the Company was in breach of certain financial covenants imposed by its debt agreement).

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

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

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

16. 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, 2015		June 30, 2014	
	Number of shares	$	Number of shares	$
Balance, beginning of the year	33,276,519	54,411	33,276,519	54,411
Shares issued	-	-	-	-
Balance, end of the year	33,276,519	54,411	33,276,519	54,411

Loss per share

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

Loss per share - basic	June 30 2015	June 30 2014
Loss available to common shareholders	(7,387) $	(6,302) $
Weighted average basic number of common shares outstanding	33,276,519	33,276,519
Loss per share - basic	(0.22) $	(0.19) $

Loss per share - diluted	June 30 2015	June 30 2014
Loss available to common shareholders	(7,387) $	(6,302) $
Weighted average basic number of common shares outstanding	33,276,519	33,276,519
Adjustment to average number of common shares - stock options	-	-
Weighted average diluted number of common shares outstanding	33,276,519	33,276,519
Loss per share - diluted	(0.22) $	(0.19) $

16. 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 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 upon the exercise of options under the 2008 stock option plan shall not exceed 10% of the issued and outstanding common shares (this limit does not include, for greater certainty, options outstanding under the 2007 stock 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, manages the 2008 Stock Option Plan and determines, 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 7 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.

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

16. SHARE CAPITAL (continued)

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

	June 30, 2015		June 30, 2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Outstanding at the beginning of year	3,763,500	2.72	3,173,000	3.08
Granted during the year	75,000	1.35	682,500	1.02
Cancelled during the year	(1,612,000)	4.55	(92,000)	2.71
Outstanding at end of year	2,226,500	1.35	3,763,500	2.72
Exercisable at end of year	1,381,000	1.27	2,342,000	2.85

The following table summarizes information on stock options outstanding at June 30, 2015:

Range of exercise price $	Outstanding at June 30, 2015	Weighted average remaining life (years)	Weighted average exercise price $	Exercisable at June 30, 2015	Weighted average exercise price $
1.00 - 1.50	1,720,500	3.18	1.03	1,155,500	1.02
2.00 - 2.50	467,500	4.38	2.28	187,000	2.28
4.00	38,500	3.30	4.00	38,500	4.00
	2,226,500			1,381,000	

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 December 2014	Granted in November 2013
Risk-free interest rate	1.32%	1.53%
Expected life (years)	5	5
Expected volatility (based on historical volatility)	59.94%	63.31%
Expected dividend yield	0%	0%
Fair value of options granted	$0.69	$0.55

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 2015	June 30 2014
	$	$
Expense related to share-based compensation	437	653

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

17. INCOME TAXES

Income tax expense recovery comprises the following:

	June 30 2015	June 30 2014
Current tax	$	$
Current year	(1,060)	(1,157)
Prior year adjustments	40	(80)
	(1,020)	(1,237)
Deferred tax		
Current year	(865)	(1,225)
Effect of corporate tax rate modification	(19)	(43)
	(884)	(1,268)
	(1,904)	(2,505)

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

	June 30 2015	June 30 2014
	$	$
Loss before income taxes	(9,291)	(8,807)
Statutory rates	26.63%	26.75%
Income taxes recovery based on statutory rates	(2,474)	(2,356)
Increase (decrease) of income taxes due to the following:		
Non-deductible expenses and other	179	54
Non-deductible share-based compensation expense	116	175
Non-deductible reversal of contingent considerations	(40)	(270)
Effect of corporate tax rate modification	(19)	(43)
Prior year adjustments	40	(80)
Change in fair value of contingent considerations	1	15
Income tax asset not recognized	293	-
Total income taxes recovery	(1,904)	(2,505)

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

17. 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 2014	Recognized in statement of loss	Other	June 30 2015
	$	$	$	$
Deferred income tax assets:				
Loss carried forward	2,473	630	-	3,103
Total deferred income tax assets	2,473	630	-	3,103
Deferred income tax liabilities:				
Property, plant and equipment	2,289	(433)	-	1,856
Intangible assets	252	(114)	(17)	121
Total deferred income tax liabilities	2,541	(547)	(17)	1,977
Less: income tax asset not recognized	-	(293)	-	(293)
Net deferred income tax liabilities (assets)	68	(884)	(17)	(833)

	July 1 2013	Recognized in statement of loss	Other	June 30 2014
	$	$	$	$
Deferred income tax assets:				
Loss carried forward	1,249	1,224	-	2,473
Total deferred income tax assets	1,249	1,224	-	2,473
Deferred income tax liabilities:				
Property, plant and equipment	2,176	113	-	2,289
Intangible assets	431	(157)	(22)	252
Total deferred income tax liabilities	2,607	(44)	(22)	2,541
Net deferred income tax liabilities (assets)	1,358	(1,268)	(22)	68

18. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

Changes in non-cash operating working capital items:

	June 30 2015	June 30 2014
	$	$
Accounts receivable	(3,350)	2,433
Inventories	2,545	2,328
Prepaid expenses	(132)	(261)
Accounts payable and accrued liabilities	2,675	(149)
	1,738	4,351

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

19. COMMITMENTS

The Company has entered into operating lease agreements expiring in 2019 which call for lease payments of $139 for the rental of vehicles. The Company has also entered into lease agreements for offices expiring in 2021 for minimum lease payments of $1,177. 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:

	$
2016	384
2017	295
2018	217
2019	183
2020	167
Subsequent years	70

Lease payments recognised as an expense during the year amount to $1,175 (year ended June 30, 2014: $907). 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.

20. RELATED PARTY TRANSACTIONS

The Company is related to Dynamitage Castonguay Ltd., company owned by directors.

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

	June 30 2015	June 30 2014
	$	$
Sales	84	345
Purchases	21	13

As at June 30, 2015, accounts receivable include a balance of $nil (June 30, 2014: $77) resulting from these transactions.

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

21. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	June 30 2015	June 30 2014
	$	$
Salaries and fees	1,023	1,059
Share-based compensation	52	281
	1,075	1,340

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

22. FINANCIAL INSTRUMENTS

The Company is exposed to various risks related to its financial assets and liabilities. There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks, or the methods used to measure them, from previous years, unless otherwise stated in this note.

Currency risk

The Company realizes a part of its activities in US dollars and in Chilean Pesos and is thus exposed to foreign exchange fluctuations. The Company does not actively manage this risk. As at June 30, 2015, the Company has cash in US dollars for an amount of $244 (June 30, 2014, $726) and accounts receivable in US dollars for an amount of $250 (June 30, 2014, $174). The Company has cash in Chilean Pesos for an amount of 43,635,125 (June 30, 2014, nil) and accounts receivable in Chilean Pesos for an amount of 244,153,954 (June 30, 2014, nil).

As at June 30, 2015, the Company has estimated that a 10% increase or decrease of the US exchange rate would have caused a corresponding annual increase or decrease in net loss and comprehensive loss of approximately $44 (June 30, 2014, $37) and a 10% increase or decrease of the Chilean Pesos exchange rate would have caused a corresponding annual increase or decrease in net loss and comprehensive loss of approximately $20 (June 30, 2014, nil).

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, 2015, the amount of the insurance coverage from EDC represents approximately nil% of the accounts receivable (5% as at June 30, 2014). Due to the reduction of International drilling demands, the Company does not meet the EDC requirements. Consequently, the insurance coverage ceased as of May 1, 2014. Considering the paid premiums and claims made over the past years, the Company has evaluated that this change will have little impact on its financial results.

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

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

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

	June 30 2015	June 30 2014
	$	$
Balance at beginning of year	1,126	1,239
Change in allowance, other than write-offs and recoveries	422	284
Write-offs of accounts receivable	(101)	(193)
Recoveries	(437)	(204)
Balance at end of year	1,010	1,126

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

22. FINANCIAL INSTRUMENTS (continued)

As at June 30, 2015, 42% (June 30, 2014: 45%) of the trade accounts receivable are aged as current and 5% are impaired (June 30, 2014: 7%).

One major customer represents 25% of the trade accounts receivable as at June 30, 2015 (June 30, 2014, one major customer represents 12% of these accounts).

One major customer represents 21% of the contract revenue for the year ended June 30, 2015 (year ended June 30, 2014, two major customers represent 30%).

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, 2015, the Company has estimated that a 1% point increase or decrease in interest rates would have caused a corresponding annual increase or decrease in net loss of approximately $56 (June 30, 2014, $63).

Equity market risk

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

Fair value

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

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

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

22. FINANCIAL INSTRUMENTS (continued)

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

The changes in the contingent considerations are detailed below:

	June 30 2015	June 30 2014
	$	$
Balance at beginning of year	146	1,096
Reversal of contingent considerations (Note 2)	(150)	(1,006)
Change in fair value of contingent considerations	4	56
Balance at end of year	-	146

There were no transfers of amounts between Level 1, Level 2 and Level 3 financial instruments for the years ended June 30, 2015 and 2014.

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

				As at June 30, 2015
	Total	0 -1 year	2 - 3 years	4 - 5 years
	$	$	$	$
Accounts payable and accrued liabilities	12,298	12,298	-	-
Long-term debt (capital only)	7,600	-	7,600	-
	19,898	12,298	7,600	-

				As at June 30, 2014
	Total	0 -1 year	2 - 3 years	4 - 5 years
	$	$	$	$
Accounts payable and accrued liabilities	9,623	9,623	-	-
Contingent considerations	150	150	-	-
Long-term debt (capital only)	8,565	8,565	-	-
	18,338	18,338	-	-

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

23. SEGMENTED INFORMATION

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

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

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

	June 30 2015	June 30 2014
	$	$
Contract revenue		
Canada	76,083	68,232
International	2,881	3,317
	78,964	71,549
Gross profit		
Canada	6,533	4,699
International	(3,318)	(945)
	3,215	3,754
General corporate expenses	11,915	11,716
Finance costs	591	845
Income taxes recovery	(1,904)	(2,505)
	10,602	10,056
Loss	(7,387)	(6,302)
Depreciation and amortization		
Canada	7,738	8,405
International	1,082	1,053
Unallocated and corporate assets	1,632	1,590
	10,452	11,048

	As at June 30, 2015	As at June 30, 2014
	$	$
Identifiable assets		
Canada	82,402	93,263
International	14,963	9,690
	97,365	102,953
Property, plant and equipment		
Canada	35,999	43,184
International	3,706	2,856
	39,705	46,040