FORAGE ORBIT GARANT DRILLING

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2016 and 2015

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, 2016. Based on this evaluation, Management has concluded that the Company's internal control over financial reporting as at June 30,2016, 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 15, 2016

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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, 2016 and June 30, 2015, and the consolidated statements of loss, consolidated statements of 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, 2016 and June 30, 2015, 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 15, 2016

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

ORBIT GARANT DRILLING INC.
Consolidated statements of loss
For the years ended June 30, 2016 and 2015
(in thousands of Canadian dollars, except for data per share)

	Notes	June 30 2016	June 30 2015
		$	$
Contract revenue	21	107,512	78,964
Cost of contract revenue	7	97,312	75,749
Gross profit		10,200	3,215
Expenses			
General and administrative expenses	2 - 7	14,268	12,031
Foreign exchange (gain) loss	7	649	(116)
Finance costs	7	732	591
Negative goodwill	2	(5,020)	-
		10,629	12,506
Loss before income taxes		(429)	(9,291)
Income taxes recovery	15		
Current		(93)	(1,020)
Deferred		(123)	(884)
		(216)	(1,904)
Net loss attributable to shareholders		(213)	(7,387)
Net loss per share attributable to shareholders	14		
Basic		(0.01)	(0.22)
Diluted		(0.01)	(0.22)

See accompanying notes to consolidated financial statements.

ORBIT GARANT DRILLING INC.

Consolidated statements of comprehensive loss

For the years ended June 30, 2016 and 2015

(in thousands of Canadian dollars)

	Notes	June 30 2016	June 30 2015
		$	$
Net loss		(213)	(7,387)
Other comprehensive income			
Items that will be reclassified subsequently to net loss :			
Unrealized gain on available-for-sale investments, net of income tax of $45	9	291	-
Cumulative translation adjustments		(96)	-
Other comprehensive income		195	-
Comprehensive loss attributable to shareholders		(18)	(7,387)

See accompanying notes to consolidated financial statements.

ORBIT GARANT DRILLING INC.

Consolidated statements of changes in equity

For the years ended June 30, 2016 and 2015

(in thousands of Canadian dollars)

Year ended June 30, 2016		Share capital	Equity settled reserve	Retained Earnings	Accumulated other comprehensive income	Total Shareholders' Equity
		$	$	$	$	$
		(Note 14)	(Note 14)			
Balance as of July 1, 2015		54,411	1,458	21,750	-	77,619
Issuance of shares related to business acquisition	(Note 2)	1,277	-	-	-	1,277
Net loss		-	-	(213)	-	(213)
Unrealized gain on available-for-sale investments, net of income tax of $45		-	-	-	291	291
Cumulative translation adjustments		-	-	-	(96)	(96)
Share-based compensation		-	193	-	-	193
Stock option cancelled		-	(183)	183	-	-
Balance as of June 30, 2016		55,688	1,468	21,720	195	79,071

Year ended June 30, 2015	Share capital	Equity settled reserve	Retained Earnings	Accumulated other comprehensive income	Total Shareholders' Equity
	$	$	$	$	$
	(Note 14)	(Note 14)			
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

See accompanying notes to consolidated financial statements.

ORBIT GARANT DRILLING INC.
Consolidated statements of financial position
As of June 30, 2016 and June 30, 2015
(in thousands of Canadian dollars)

	Notes	June 30 2016	June 30 2015
		$	$
ASSETS			
Current assets			
Cash		2,293	396
Accounts receivable	20	21,339	18,890
Inventories	8	35,289	33,878
Income taxes receivable		1,058	1,244
Prepaid expenses		568	1,412
		60,547	55,820
Non-current assets			
Investments	9	709	424
Property, plant and equipment	10	42,978	39,705
Intangible assets	11	-	583
Deferred tax assets	15	930	833
Total assets		105,164	97,365
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		15,362	12,298
Factoring liabilities		1,395	-
Current portion of finance leases	12	889	-
		17,646	12,298
Non-current liabilities			
Long-term debt and finance leases	12	8,447	7,448
		26,093	19,746
EQUITY			
Share capital	14	55,688	54,411
Equity settled reserve	14	1,468	1,458
Retained earnings		21,720	21,750
Accumulated other comprehensive (loss) income		195	-
Equity attributable to shareholders		79,071	77,619
Total liabilities and equity		105,164	97,365

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, 2016 and 2015

(in thousands of Canadian dollars)

	Notes	June 30 2016	June 30 2015
		$	$
OPERATING ACTIVITIES			
Loss before income taxes		(429)	(9,291)
Items not affecting cash:			
Depreciation of property, plant and equipment	10	10,217	9,869
Amortization of intangible assets	11	583	583
Write-off of property, plant and equipment	10	-	217
Loss (gain) on disposal of property, plant and equipment	10	(329)	12
Gain on disposal of investments	9	(80)	(31)
Share-based compensation	14	193	437
Finance costs, excluding change in fair value of contingent considerations		732	587
Negative goodwill	2	(5,020)	-
Reversal of contingent considerations	2 - 20	-	(150)
Change in fair value of contingent considerations	20	-	4
		5,867	2,237
Changes in non-cash operating working capital items	16	4,656	1,738
Income taxes recovered		701	1,628
Finance costs paid		(677)	(721)
		10,547	4,882
INVESTING ACTIVITIES			
Business acquisition of Captagua Ingeniería S.A., net of cash acquired	2	(252)	-
Acquisition of investments	9	-	(135)
Proceeds from disposal of investments	9	131	42
Acquisition of property, plant and equipment	10	(6,566)	(4,032)
Proceeds from disposal of property, plant and equipment	10	463	295
		(6,224)	(3,830)
FINANCING ACTIVITIES			
Proceeds from factoring		6,527	-
Repayment on factoring		(8,401)	-
Proceeds from long-term debt		68,082	48,650
Repayment of long-term debt		(68,482)	(49,615)
		(2,274)	(965)
Effect of exchange rate changes		(152)	(26)
Increase in cash		1,897	61
Cash, beginning of year		396	335
Cash, end of year		2,293	396

See accompanying notes to consolidated financial statements.

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

1. DESCRIPTION OF BUSINESS

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

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

	% of voting rights
Services de forage Orbit Garant Inc.	100%
9116-9300 Québec inc.	100%
Drift Exploration Drilling Inc.	100%
Drift de Mexico SA de CV	100%
Lantech Drilling Services Inc.	100%
Perforación Orbit Garant Chile SpA	100%
Orbit Garant Drilling Ghana Limited	100%
Cygnus-Orbit Drilling SpA	100%
Orbit Garant Chile S.A. (since December 30, 2015)	100%
Perforación Orbit Garant Peru S.A.C. (since May 30, 2016)	100%
OGD Drilling (Guyana) Inc. (since August 16, 2016)	100%

2. BUSINESS ACQUISITION

Acquisition of Captagua Ingeniería S.A. (Orbit Garant Chile S.A.):

On December 30, 2015, the Company acquired all issued and outstanding shares of Captagua Ingeniería S.A., which provides an expertise in drilling and a presence in Chile, a major mining jurisdiction. This acquisition is expected to enhance the Company's platform for future growth in Chile and throughout South America. Captagua Ingeniería S.A. has an experienced management team, highly skilled personnel and a strong reputation in the Chilean market. The purchase price for the transaction was a total net consideration of $1,718 through the issuance of 1,824,900 common shares of the Company valued at a price of $0.70 per share at the acquisition date and an adjustment of an amount of $441 to be paid when the acquired company will receive the reimbursement of income tax receivable. The total assets acquired totaled an amount of $15,129 and the total liabilities assumed totalled an approximate amount of $8,391. The amount of goodwill will not be taxable for income tax purposes.

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

On August 16, 2016, the Company changed the legal corporate name of Captagua Ingeniería S.A. to Orbit Garant Chile S.A.

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

2. BUSINESS ACQUISITION (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:	Captagua Ingeniería S.A. (December 30, 2015)
	$
Cash	189
Accounts receivable	5,673
Inventory	1,790
Income taxes receivable	441
Other current assets	34
Property, plant and equipment	7,002
Accounts payable and accrued liabilities	(2,889)
Factoring liabilities	(3,269)
Finance lease	(2,233)
Negative goodwill recorded to earnings	(5,020)
Purchase price	1,718
Consideration	
Issuance of common shares	1,277
Account payable related to income tax return	441
	1,718

Business acquisition costs

For the year ended June 30, 2016, business acquisition costs of $781 related to the transaction described above and were included in the general and administrative expenses in the consolidated statement of loss.

Impact of business acquisition on the results

Since the date of acquisition, revenues and net loss from this business acquisition amounted to $6,216 and $2,281, respectively. Considering the nature of this acquisition, the available financial information does not allow for the accurate disclosure of pro-forma revenues and net earnings had the Company concluded this acquisition at the beginning of its fiscal year.

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, 2016. 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 5.

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

These consolidated financial statements were approved for issue by the Board of Directors of Orbit Garant Drilling Inc. on September 15, 2016.

4. 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 transferred in a business combination is measured at the fair value which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. 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.

4. 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. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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
Factoring liabilities	Other liabilities	Amortized cost
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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. Wages, paid leaves, bonuses and non-monetary benefits are short-term employee benefits, and they are recorded in the annual reporting period in which the employees of the Company render the related services.

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. 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:

	Useful life	Residual value
Buildings and components	5 to 40 years	-
Drilling equipment	5 to 10 years	0 - 20 %
Vehicles	5 years	-
Other	3 to 10 years	-

The depreciation begins when the property, plant and equipment are ready for their intended use. Land is not depreciated.

Intangible assets

Intangible assets are accounted for at cost less accumulated depreciation and accumulated impairment losses. Amortization is based on their estimated useful life using the straight-line method and the following period:

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.

4. 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 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 that the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognised.

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 loss 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 metres 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 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 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.

5. 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, 2016, 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.

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, 2016, the Company concluded that there was no impairment indicators and did not perform an impairment test (see Notes 10 and 11).

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.

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

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.

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.

6. RECENT ACCOUNTING PRONOUNCEMENT

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

IFRS 9 – Financial Instruments

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

6. RECENT ACCOUNTING PRONOUNCEMENT (continued)

IFRS 15 – Revenue from Contracts with Customers

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

IAS 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 years 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 years beginning January 1, 2016, with early adoption permitted.

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

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

IAS 7 – Statement of cash flows

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

IAS 12 – Income taxes

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

IFRS 16 – Leases

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

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

6. RECENT ACCOUNTING PRONOUNCEMENT (continued)

The following amendments to the standards have been issued by the IASB and are applicable to the Company for its years beginning on July 1, 2016 and thereafter, with an earlier application permitted:

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

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

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

The adoption of the above standards is not expected to have a significant impact on the Company's consolidated financial statements.

7. EXPENSES BY NATURE

Detail of the depreciation and amortization expenses

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

	June 30 2016	June 30 2015
	$	$
Cost of contract revenue	9,306	8,820
General and administrative expenses	1,494	1,632
Total depreciation and amortization	10,800	10,452

Principal expenses by nature

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

	June 30 2016	June 30 2015
	$	$
Depreciation and amortization	10,800	10,452
Employee benefits expense	56,277	43,465
Cost of inventory	24,823	20,260
Other expenses	21,061	14,078
Negative goodwill	(5,020)	-
Total cost of contract revenue, general and administrative expenses, foreign exchange (gain) loss, finance costs and negative goodwill	107,941	88,255

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

8. INVENTORIES

Inventories consist of the following:

	June 30 2016	June 30 2015
	$	$
Spare parts, net	11,680	11,461
Consumables, net	22,879	21,360
Other	730	1,057
	35,289	33,878

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.

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

	June 30 2016	June 30 2015
	$	$
	24,823	20,260

During the year, an amount of $326 (2015: $295) has been accounted for as a write-down 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.

9. INVESTMENTS

Changes in investments were as follows:

	June 30 2016	June 30 2015
	$	$
Investments in public companies, beginning of year	424	300
Acquisitions of investments	-	135
Disposal of investments	(51)	(11)
Unrealized gain on available-for-sale investments	336	-
Investments in public companies, end of year	709	424

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, 2016, the investments were recorded at the fair value. The original cost was $373 ($424 as at June 30, 2015).

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

10. 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, 2015	512	9,801	64,643	14,086	2,891	91,933
Additions	329	47	4,414	1,525	251	6,566
Disposals	-	-	(1,151)	(282)	(294)	(1,727)
Business acquisition (Note 2)	-	-	6,674	285	43	7,002
Effect of movements in exchange rates	-	-	190	(10)	(5)	175
Balance as at June 30, 2016	841	9,848	74,770	15,604	2,886	103,949
Accumulated Depreciation						
Balance as at July 1, 2015	-	2,430	39,099	8,805	1,894	52,228
Depreciation	-	538	7,589	1,686	404	10,217
Disposals	-	-	(1,117)	(174)	(302)	(1,593)
Effect of movements in exchange rates	-	-	134	(23)	8	119
Balance as at June 30, 2016	-	2,968	45,705	10,294	2,004	60,971

	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
June 30, 2015:						
Net book value	512	7,371	25,544	5,281	997	39,705
Portion related to finance leases	-	-	-	-	-	-
June 30, 2016:						
Net book value	841	6,880	29,065	5,310	882	42,978
Portion related to finance leases	-	-	3,394	339	-	3,733

The gain on disposal of property, plant and equipment totalling $329 for the year ended June 30, 2016 (a loss of $12 for the year ended June 30, 2015) is included in cost of contract revenue. The write-off of property, plant and equipment totalling $217 for the year ended June 30, 2015 is included in cost of contract revenue. There was no impairment charge recognised for the years ended June 30, 2016 and 2015.

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

11. INTANGIBLE ASSETS

Changes in the intangible assets balance were as follows:

Drilling technology	Cost	Accumulated amortization	Total
	$	$	$
Balance as at July 1, 2014	2,912	(1,746)	1,166
Amortization	-	(583)	(583)
Balance as at June 30, 2015	2,912	(2,329)	583
Amortization	-	(583)	(583)
Balance as at June 30, 2016	2,912	(2,912)	-

Net book value:	
June 30, 2015	583
June 30, 2016	-

There was no impairment charge recognised for the years ended June 30, 2016 and 2015.

12. LONG-TERM DEBT

	June 30 2016	June 30 2015
	$	$
Loan authorized for a maximum amount of $25 million ($30 million before December 19, 2014), bearing interest at prime rate plus 0.50%, effective rate as at June 30, 2016 3.20%, maturing December 2017, secured by first rank hypothec on the universality of all present and future assets (a) (b)	7,403	7,448
Finance leases, bearing interest between 3.34% and 29.02%, maturing December 2020	1,933	-
	9,336	7,448
Current portion	(889)	-
	8,447	7,448

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

(b) An unamortized amount of $97 ($152 as at June 30, 2015), representing financing fees, has been presented in deduction of the long-term debt. This amount is being amortized to earnings over the term of the debt, using the effective interest method.

Under the terms of the long-term debt agreement, the Company must satisfy certain restrictive covenants as to minimum financial ratios (Note 13). As at June 30, 2016, the Company was compliant with its financial covenants (June 30, 2015: the Company was compliant with its financial covenants).

On June 30, 2016, the prime rate was 2.70% (2.85% as at June 30, 2015).

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

12. LONG-TERM DEBT (continued)

As at June 30, 2016, principal payments required in the next years are as follows:

	Loan	Finance lease	Total
	$	$	$
Not more than one year	-	889	889
Later than one year and not later than five years	7,500	1,044	8,544
	7,500	1,933	9,433

Minimum lease payments are as follows:

	Minimum lease payments	Present value of minimum lease payments	
		June 30 2016	June 30 2015
	$	$	$
Not more than one year	975	889	-
Later than one year and not later than five years	1,103	1,044	-
	2,078	1,933	-
Less: future finance charges	(145)	-	-
Present value of minimum lease payments	1,933	1,933	-

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

As at June 30, 2016	Total	Not more than one year	Later than one but not later than five years
	$	$	$
CAN	7,807	57	7,750
Chilean Pesos (CLP)	1,626	832	794
	9,433	889	8,544

13. CAPITAL MANAGEMENT

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

Total managed capital was as follows:

	June 30 2016	June 30 2015
	$	$
Long-term debt and finance leases	9,336	7,448
Share capital	55,688	54,411
Equity settled reserve	1,468	1,458
Retained earnings	21,720	21,750
Cash	(2,293)	(396)
	85,919	84,671

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

13. CAPITAL MANAGEMENT (continued)

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, 2016, as mentioned in Note 12, the Company complied with its covenants (June 30, 2015: the Company was compliant with its financial covenants).

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

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

14. SHARE CAPITAL

Authorized, an unlimited number of common and preferred shares:

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

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

	June 30, 2016		June 30, 2015	
	Number of shares	$	Number of shares	$
Balance, beginning of the year	33,276,519	54,411	33,276,519	54,411
Shares issued for business acquisition [(a)]	1,824,900	1,277	-	-
Balance, end of the year	35,101,419	55,688	33,276,519	54,411

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

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

14. SHARE CAPITAL (continued)

Net loss per share

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

Net loss per share - basic	June 30 2016	June 30 2015
Net loss available to common shareholders	(213) $	(7,387) $
Weighted average basic number of common shares outstanding	34,188,969	33,276,519
Net loss per share - basic	(0.01) $	(0.22) $

Net loss per share - diluted	June 30 2016	June 30 2015
Net loss available to common shareholders	(213) $	(7,387) $
Weighted average basic number of common shares outstanding	34,188,969	33,276,519
Adjustment to average number of common shares - stock options	-	-
Weighted average diluted number of common shares outstanding	34,188,969	33,276,519
Net loss per share - diluted	(0.01) $	(0.22) $

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.

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

14. SHARE CAPITAL (continued)

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.

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

		June 30, 2016		June 30, 2015
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Outstanding at the beginning of year	2,226,500	1.35	3,763,500	2.72
Granted during the year	732,000	0.70	75,000	1.35
Cancelled during the year	(81,000)	2.26	(1,612,000)	4.55
Outstanding at end of year	2,877,500	1.16	2,226,500	1.35
Exercisable at end of year	1,561,000	1.27	1,381,000	1.27

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

14. SHARE CAPITAL (continued)

On January 20, 2016, 732,000 stock options have been granted to employees and directors giving the option to purchase a common share for an exercice price of $0.70 per share which represents the fair value of a common share at the date of the grant. These options have a life of 7 years and will vest at a rate of 20% per annum commencing 12 months after the date of the grant.

The following table summarizes information on stock options outstanding at June 30, 2016:

Range of exercise price $	Outstanding at June 30, 2016	Weighted average remaining life (years)	Weighted average exercise price $	Exercisable at June 30, 2016	Weighted average exercise price $
0.50 - 2.40	2,860,000	3.46	1.14	1,543,500	1.24
2.40 - 4.30	17,500	2.19	4.00	17,500	4.00
	2,877,500			1,561,000	

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 January 2016	Granted in December 2014
Risk-free interest rate	0.63%	1.32%
Expected life (years)	5	5
Expected volatility (based on historical volatility)	40.00%	59.94%
Expected dividend yield	0%	0%
Fair value of options granted	$0.25	$0.69

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 2016 $	June 30 2015 $
Expense related to share-based compensation	193	437

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

15. INCOME TAXES

Income tax expense recovery comprises the following:

	June 30 2016	June 30 2015
Current tax	$	$
Current year	(55)	(1,060)
Prior year adjustments	(38)	40
	(93)	(1,020)
Deferred tax		
Current year	(123)	(865)
Effect of corporate tax rate modification	-	(19)
	(123)	(884)
	(216)	(1,904)

The tax rates prescribed by the applicable laws are at 26.37% in 2016 and at 26.63% in 2015.

	June 30 2016	June 30 2015
	$	$
Loss before income taxes	(429)	(9,291)
Statutory rates	26.37%	26.63%
Income taxes recovery based on statutory rates	(113)	(2,474)
Increase (decrease) of income taxes due to the following:		
Non-deductible expenses and other	95	179
Non-deductible share-based compensation expense	51	116
Non-deductible reversal of contingent considerations	-	(40)
Non taxable negative goodwill	(1,324)	-
Effect of corporate tax rate modification	-	(19)
Prior year adjustments	(38)	40
Change in fair value of contingent considerations	-	1
Income tax asset not recognized	1,113	293
Total income taxes recovery	(216)	(1,904)

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

15. INCOME TAXES (continued)

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

	July 1 2015	Recognized in statement of loss	Other	June 30 2016
	$	$	$	$
Deferred income tax assets:				
Loss carried forward	3,103	(739)	-	2,364
Total deferred income tax assets	3,103	(739)	-	2,364
Deferred income tax liabilities:				
Investments	-	-	45	45
Property, plant and equipment	1,856	(428)	-	1,428
Intangible assets	121	(141)	(19)	(39)
Total deferred income tax liabilities	1,977	(569)	26	1,434
Less: income tax asset not recognized	(293)	293	-	-
Net deferred income tax liabilities (assets)	(833)	(123)	26	(930)

	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)

16. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

Changes in non-cash operating working capital items:

	June 30 2016	June 30 2015
	$	$
Accounts receivable	3,224	(3,350)
Inventories	379	2,545
Prepaid expenses	878	(132)
Accounts payable and accrued liabilities	175	2,675
	4,656	1,738

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

17. COMMITMENTS AND GUARANTEES

Commitments

The Company has entered into operating lease agreements expiring in 2020 which call for lease payments of $480 for the rental of vehicles. The Company has also entered into lease agreements for offices expiring in 2021 for minimum lease payments of $1,564. None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions. The minimum lease payments under lease agreements for the next five years are detailed as follows:

	$
2017	661
2018	450
2019	394
2020	369
2021	170

Lease payments recognised as an expense during the year amount to $1,708 (year ended June 30, 2015: $1,175). 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.

Guarantees

For the year ended June 30, 2016, the Company issued some bank guarantees in favor of customers for a total amount of $885, maturing in December 2017. For the year ended June 30, 2016, the Company has not made any payments in connection with these guarantees.

18. 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 and with a person related to a director:

	June 30 2016	June 30 2015
	$	$
Sales	25	84
Purchases	94	21

As at June 30, 2016, there was no accounts receivable resulting from these transactions (June 30, 2015: $nil).

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

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

19. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	June 30 2016	June 30 2015
	$	$
Salaries and fees	1,287	1,023
Share-based compensation	149	52
	1,436	1,075

20. FINANCIAL INSTRUMENTS

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

Currency risk

The Company realizes a part of its activities in US dollars, in Chilean Pesos and in GHS cedi and is thus exposed to foreign exchange fluctuations. The Company does not actively manage this risk. As at June 30, 2016, the Company has cash in US dollars for an amount of $1,473 (June 30, 2015, $244) and accounts receivable in US dollars for an amount of $640 (June 30, 2015, $250). The Company has cash in Chilean Pesos for an amount of CLP292,449,849 (June 30, 2015, CLP43,635,125) and accounts receivable in Chilean Pesos for an amount of CLP1,076,241,833 (June 30, 2015, CLP244,153,954). The Company has cash in GHS cedi for an amount of 131,758 (June 30, 2015, nil) and accounts receivable in GHS cedi for an amount of 519,382 (June 30, 2015, nil).

As at June 30, 2016, 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 $197 (June 30, 2015, $44), 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 $23 (June 30, 2015, $20) and a 10% increase or decrease of the GHS cedi exchange rate would have caused a corresponding annual increase or decrease in net loss and comprehensive loss of $66 (June 30, 2015: 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, 2016, the amount of the insurance coverage from EDC represents 7% of the accounts receivable (nil% as at June 30, 2015).

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.

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

20. FINANCIAL INSTRUMENTS (continued)

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

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

	June 30 2016	June 30 2015
	$	$
Balance at beginning of year	1,010	1,126
Change in allowance, other than write-offs and recoveries	383	422
Write-offs of accounts receivable	(298)	(101)
Recoveries	(21)	(437)
Balance at end of year	1,074	1,010

As at June 30, 2016, 53% (June 30, 2015: 42%) of the trade accounts receivable are aged as current and 5% are impaired (June 30, 2015: 5%).

One major customer represents 10% of the trade accounts receivable as at June 30, 2016 (June 30, 2015, one major customer represents 25% of these accounts).

Two major customers represent 39% of the contract revenue for the year ended June 30, 2016 (year ended June 30, 2015, one major customer represents 21%).

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, 2016, 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 $55 (June 30, 2015, $56).

Equity market risk

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

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

20. FINANCIAL INSTRUMENTS (continued)

Fair value

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

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

Fair value hierarchy

The methodology used to measure the Company's financial instruments accounted for at fair value is determined based on the following hierarchy:

Level	Basis for determination of fair value
Level 1	Quoted prices in active markets for identical assets or liabilities
Level 2	Inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the asset or
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, 2016, the investments are classified as a Level 1 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 2016	June 30 2015
	$	$
Balance at beginning of year	-	146
Reversal of contingent considerations	-	(150)
Change in fair value of contingent considerations	-	4
Balance at end of year	-	-

There were no transfers of amounts between Level 1, Level 2 and Level 3 financial instruments for the year ended June 30, 2015. For the year ended June 30, 2016, the investments were transferred from Level 2 to Level 1 because recently, there is an active market for those quoted prices.

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

20. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

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

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

				As at June 30, 2016
	Total	0 -1 year	2 - 3 years	4 - 5 years
	$	$	$	$
Accounts payable and accrued liabilities	15,362	15,362	-	-
Factoring liabilities	1,395	1,395	-	-
Long-term debt (capital only)	7,500	-	7,500	-
Finance lease	1,933	889	1,044	-
	26,190	17,646	8,544	-

				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	-

21. SEGMENTED INFORMATION

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

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

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

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

21. SEGMENTED INFORMATION (continued)

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

	June 30 2016	June 30 2015 (Reclassified)
	$	$
Contract revenue		
Canada	92,449	76,083
International	15,063	2,881
	107,512	78,964
Profit (loss) from operation		
Canada	4,557	(273)
International	(4,709)	(5,586)
	(152)	(5,859)
General and corporate expenses [1]	4,565	2,841
Finance costs	732	591
Negative goodwill	(5,020)	-
Income taxes recovery	(216)	(1,904)
	61	1,528
Net loss	(213)	(7,387)

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

	June 30 2016	June 30 2015 (Reclassified)
Depreciation and amortization		
Canada	7,142	7,738
International	2,164	1,082
Unallocated and corporate assets	1,494	1,632
	10,800	10,452

	As at June 30, 2016	As at June 30, 2015
	$	$
Identifiable assets		
Canada	76,200	82,402
International	28,964	14,963
	105,164	97,365
Property, plant and equipment		
Canada	31,477	35,999
International	11,501	3,706
	42,978	39,705