3. APPLICATION OF NEW AND REVISED IFRS

The Company has not applied the following revised IASB standards that have been issued, but are not yet effective:

- IFRS 9 *(as amended in 2014) Financial Instruments - effective date January 1, 2018*
- IFRS 10 *(amended) Consolidated Financial Statements - effective date January 1, 2016*
- IFRS 11 *(amended) Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations - effective date January 1, 2016*
- IFRS 15 *Revenue from Contracts with Customers - effective date January 1, 2018*
- IAS 1 *(amended) Presentation of Financial Statements - effective date January 1, 2016*
- IAS 16 *(amended) Property, Plant and Equipment - effective date January 1, 2016*
- IAS 28 *(amended) Investments in Associates and Joint Ventures - effective date January 1, 2016*
- IAS 38 *(amended) Intangible Assets - effective date January 1, 2016*

The adoption of the above standards is not expected to have a significant impact on the Company's Consolidated Financial Statements.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

The preparation of financial statements, in conformity with International Financial Reporting Standards ("IFRS"), requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. Significant areas requiring the use of management estimates relate to the useful lives of property, plant and equipment for depreciation purposes, property, plant and equipment and inventory valuation, determination of income and other taxes, assumptions used in the compilation of share-based payments, fair value of assets acquired and liabilities assumed in business acquisitions, amounts recorded as accrued liabilities and contingent considerations, and impairment testing of goodwill and intangible assets.

The Company applied judgment in determining the functional currency of the Company and its subsidiaries, the determination of cash generating units ("CGUs"), the degree of componentization of property, plant and equipment, and the recognition of provisions and accrued liabilities.

5. SEASONALITY OF OPERATIONS

The third quarter (November to January) is normally the Company's weakest quarter due to the shutdown of mining and exploration activities, often for extended periods over the holiday season.

(in thousands of Canadian dollars, except per share information)

6. PROPERTY, PLANT AND EQUIPMENT

Capital expenditures for the three months ended October 31, 2015 were $6,523 (2014 - $3,124) and for the six months ended October 31, 2015 were $11,759 (2014 - $10,269). The Company obtained direct financing of $2,693 and $4,664 for the three and six months ended October 31, 2015, respectively, and $212 for the three and six months ended October 31, 2014.

7. INCOME TAXES

The income tax expense for the period can be reconciled to accounting loss as follows:

	Q2 2016	Q2 2015	**YTD 2016**	YTD 2015
Loss before income tax	**$ (2,936)**	$ (7,784)	**$ (11,289)**	$ (17,494)
Statutory Canadian corporate income tax rate	**27%**	27%	**27%**	27%
Expected income tax recovery based on statutory rate	**(793)**	(2,102)	**(3,048)**	(4,723)
Non-recognition of tax benefits related to losses	**1,412**	2,814	**4,673**	3,564
Other foreign taxes paid	**179**	77	**632**	171
Rate variances in foreign jurisdictions	**372**	(19)	**79**	(276)
Permanent differences	**1,009**	95	**2,555**	434
Other	**234**	1,499	**349**	815
Income tax expense (recovery) recognized in net loss	**$ 2,413**	$ 2,364	**$ 5,240**	$ (15)

The Company periodically assesses its liabilities and contingencies for all tax years open to audit based upon the latest information available. For those matters where it is probable that an adjustment will be made, the Company records its best estimate of these tax liabilities, including related interest charges. Inherent uncertainties exist in estimates of tax contingencies due to changes in tax laws. While management believes they have adequately provided for the probable outcome of these matters, future results may include favorable or unfavorable adjustments to these estimated tax liabilities in the period the assessments are made, or resolved, or when the statutes of limitations lapse.

(in thousands of Canadian dollars, except per share information)

8. LOSS PER SHARE

All of the Company's earnings are attributable to common shares therefore net earnings are used in determining earnings per share.

	Q2 2016	Q2 2015	**YTD 2016**	YTD 2015
Net loss	**$ (5,349)**	$ (10,148)	**$ (16,529)**	$ (17,479)
Weighted average number of shares – basic and diluted (000's)	**80,137**	80,124	**80,137**	79,643
Loss per share:				
Basic	**$ (0.07)**	$ (0.13)	**$ (0.21)**	$ (0.22)
Diluted	**$ (0.07)**	$ (0.13)	**$ (0.21)**	$ (0.22)

There were no anti-dilutive options for the three and six months ended October 31, 2015 or 2014.

The total number of shares outstanding on October 31, 2015 was 80,136,884 (2014 - 80,135,883).

9. SEGMENTED INFORMATION

The Company's operations are divided into three geographic segments corresponding to its management structure, Canada - U.S., South and Central America, and Asia and Africa. The services provided in each of the reportable segments are essentially the same. The accounting policies of the segments are the same as those described in the Company's annual Consolidated Financial Statements for the year ended April 30, 2015. Management evaluates performance based on earnings from operations in these three geographic segments before finance costs, general corporate expenses and income taxes. Data relating to each of the Company's reportable segments is presented as follows:

(in thousands of Canadian dollars, except per share information)

9. SEGMENTED INFORMATION (Continued)

	Q2 2016	Q2 2015	**YTD 2016**	YTD 2015
Revenue				
Canada - U.S.	**$ 56,056**	$ 49,813	**$ 107,087**	$ 86,232
South and Central America	**16,924**	23,331	**37,405**	37,436
Asia and Africa	**11,687**	14,048	**24,109**	31,075
	$ 84,667	$ 87,192	**$ 168,601**	$ 154,743
Earnings (loss) from operations				
Canada - U.S.*	**$ 3,511**	$ 2,580	**$ 4,337**	$ 1,967
South and Central America	**(1,212)**	(794)	**(7)**	(5,512)
Asia and Africa	**(2,369)**	(6,528)	**(10,874)**	(8,810)
	(70)	(4,742)	**(6,544)**	(12,355)
Finance costs	**81**	190	**151**	394
General corporate expenses**	**2,785**	2,852	**4,594**	4,745
Income tax	**2,413**	2,364	**5,240**	(15)
Net loss	**$ (5,349)**	$ (10,148)	**$ (16,529)**	$ (17,479)

*Canada - U.S. includes revenue of $30,548 and $29,187 for Canadian operations for the three months ended October 31, 2015 and 2014, respectively, and $62,220 and $51,637 for the six months ended October 31, 2015 and 2014, respectively.

**General corporate expenses include expenses for corporate offices and stock options.

	Q2 2016	Q2 2015	**YTD 2016**	YTD 2015
Capital expenditures				
Canada - U.S.	**$ 5,632**	$ 1,938	**$ 9,669**	$ 5,403
South and Central America	**726**	563	**1,412**	3,590
Asia and Africa	**165**	548	**678**	1,187
Unallocated and corporate assets	**-**	75	**-**	89
Total capital expenditures	**$ 6,523**	$ 3,124	**$ 11,759**	$ 10,269

	Q2 2016	Q2 2015	**YTD 2016**	YTD 2015
Depreciation and amortization				
Canada - U.S.	**$ 6,925**	$ 6,440	**$ 13,649**	$ 12,484
South and Central America	**2,924**	2,930	**6,439**	6,584
Asia and Africa	**3,422**	3,390	**6,026**	6,995
Unallocated and corporate assets	**375**	376	**748**	747
Total depreciation and amortization	**$ 13,646**	$ 13,136	**$ 26,862**	$ 26,810

(in thousands of Canadian dollars, except per share information)

9. SEGMENTED INFORMATION (Continued)

	October 31, 2015	April 30, 2015
Identifiable assets		
Canada - U.S.*	**$ 243,327**	$ 226,919
South and Central America	**147,314**	163,539
Asia and Africa	**105,208**	109,791
Unallocated and corporate assets	**54,884**	42,455
Total identifiable assets	**$ 550,733**	$ 542,704

*Canada - U.S. includes property, plant and equipment at October 31, 2015 of $77,279 (April 30, 2015 - $84,115) for Canadian operations.

10. BUSINESS ACQUISITION

The Company has finalized the valuation of assets for Taurus Drilling Services, acquired August 1, 2014. There were no material adjustments required to values allocated to net tangible and intangible assets presented in the annual consolidated financial statements for the year ended April 30, 2015. During the current quarter, the Company made the first payment on the contingent consideration of $1,783.

11. RESTRUCTURING CHARGE

During the year, the Company continued to rationalize certain operations, and due to ongoing market difficulties in the Republic of South Africa and Namibia, the Company decided to close its operations in those countries.

These restructuring initiatives generated impairment losses calculated based on the determination of the fair value of assets less cost of disposal. Fair value was determined through the use of industry knowledge and specialists.

The restructuring charge was $59 and $6,491 for the three and six months ended October 31, 2015, respectively. For the three months ended October 31, 2015, the amount consists of employee severance charges for $59. For the six months ended October 31, 2015, the amount includes an impairment charge of $3,479 relating to property, plant and equipment; a write-down of $1,304 to reduce inventory to net realizable value; employee severance charges of $446 and other non-cash charges of $262 along with a charge of $1,000 relating to the cost of winding down operations. The unpaid portion of these charges, totaling $751, is recorded in trade and other payables.

(in thousands of Canadian dollars, except per share information)

11. RESTRUCTURING CHARGE (Continued)

During the previous year, the Company continued to rationalize certain operations and due to ongoing administrative difficulties to operate in the Democratic Republic of Congo ("DRC"), the Company decided to close down its operation in that country. The restructuring charge was $2,830 and $3,421 for the three and six months ended October 31, 2014, respectively. For the three months ended October 31, 2014, the amount consists of a reduction of $2,092 in the previously recorded provision for the Australian restructure; an impairment charge of $1,953 relating to property, plant and equipment from the DRC close down; a write-down of $1,628 to reduce inventory in the DRC to net realizable value; employee severance charges of $84 incurred to rationalize the workforce in several operations; and a further charge of $1,257 relates to the cost of winding down operations in the DRC. For the six months ended October 31, 2014, the amount includes further employee severance charges of $591.

12. FINANCIAL INSTRUMENTS

Fair value

The carrying values of cash, trade and other receivables, demand credit facility and trade and other payables approximate their fair value due to the relatively short period to maturity of the instruments. The following table shows carrying values of contingent consideration and long-term debt, which approximates their fair value, as most debts carry variable interest rates and the remaining fixed rate debts have been acquired recently and their carrying value continues to reflect fair value. The fair value of the interest rate swap included in long-term debt is measured using quoted interest rates.

	October 31, 2015	April 30, 2015
Contingent consideration	**$ 8,347**	$ 10,130
Long-term debt	**16,462**	15,345

The Company is in compliance with all covenants and other conditions imposed by its debt agreements.

Credit risk

As at October 31, 2015, 79.4% (April 30, 2015 - 89.0%) of the Company's trade receivables were aged as current and 7.5% (April 30, 2015 - 8.2%) of the trade receivables were impaired.

The movements in the allowance for impairment of trade receivables during the six-month periods were as follows:

	October 31, 2015	October 31, 2014
Opening balance	**$ 4,204**	$ 3,016
Increase in impairment allowance	**801**	1,258
Recovery of amounts previously impaired	**(191)**	(186)
Write-off charged against allowance	**(206)**	(814)
Foreign exchange translation differences	**113**	(52)
Ending balance	**$ 4,721**	$ 3,222

(in thousands of Canadian dollars, except per share information)

12. FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk

As at October 31, 2015, the most significant carrying amounts of net monetary assets that: (i) are denominated in currencies other than the functional currency of the respective Company subsidiary; (ii) cause foreign exchange rate exposure; and (iii) may include intercompany balances with other subsidiaries, including the impact on earnings before income taxes ("EBIT"), if the corresponding rate changes by 10%, are as follows:

	Rate Variance	ARP/USD	CFA/USD	COP/USD	USD/CLP	USD/CAD
Exposure		$ 2,791	$ 2,485	$ 2,478	$ 958	$ (51)
EBIT impact	+10%	310	276	275	106	(6)

	Rate Variance	IDR/USD	USD/AUD	USD/ZAR	Other
Exposure		$ (1,687)	$ (2,081)	$ (5,748)	$ 273
EBIT impact	+10%	(187)	(231)	(639)	39

Liquidity risk

The following table details contractual maturities for the Company's financial liabilities.

	1 year	2-3 years	4-5 years	thereafter	Total
Trade and other payables	$ 39,636	$ -	$ -	$ -	$ 39,636
Contingent consideration	3,000	5,347	-	-	8,347
Long-term debt	8,307	5,983	3,005	883	18,178
	$ 50,943	**$ 11,330**	**$ 3,005**	**$ 883**	**$ 66,161**