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**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2016 AND 2015 (UNAUDITED)**  
**(in thousands of Canadian dollars, except per share information)**

**3. APPLICATION OF NEW AND REVISED IFRS**

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

- IFRS 9 (*as amended in 2014*) *Financial Instruments*\*
- IFRS 10 (*amended*) *Consolidated Financial Statements*\*\*
- IFRS 11 (*amended*) *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*\*\*
- IFRS 15 *Revenue from Contracts with Customers*\*
- IFRS 16 *Leases*\*\*\*
- IAS 1 (*amended*) *Presentation of Financial Statements*\*\*
- IAS 7 (*amended*) *Statement of Cash Flows*\*\*\*\*
- IAS 12 (*amended*) *Income Taxes*\*\*\*\*
- IAS 16 (*amended*) *Property, Plant and Equipment*\*\*
- IAS 28 (*amended*) *Investments in Associates and Joint Ventures*\*\*
- IAS 38 (*amended*) *Intangible Assets*\*\*

*\*Effective for annual periods beginning on or after January 1, 2018*

*\*\*Effective for annual periods beginning on or after January 1, 2016*

*\*\*\*Effective for annual periods beginning on or after January 1, 2019*

*\*\*\*\*Effective for annual periods beginning on or after January 1, 2017*

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, contingent consideration and allowance for doubtful accounts, 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.



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**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.

**6. PROPERTY, PLANT AND EQUIPMENT**

Capital expenditures for the three months ended January 31, 2016 were \$4,057 (2015 - \$3,759) and for the nine months ended January 31, 2016 were \$15,816 (2015 - \$14,028). The Company obtained direct financing of \$4,664 for the nine months ended January 31, 2016 and \$223 and \$435, respectively, for the three and nine months ended January 31, 2015.

**7. INCOME TAXES**

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

	<u>Q3 2016</u>	<u>Q3 2015</u>	<u>YTD 2016</u>	<u>YTD 2015</u>
Loss before income tax	<b>\$ (16,655)</b>	\$(20,669)	<b>\$ (27,944)</b>	\$ (38,163)
Statutory Canadian corporate income tax rate	<b>27%</b>	27%	<b>27%</b>	27%
Expected income tax recovery based on statutory rate	<b>(4,497)</b>	(5,581)	<b>(7,545)</b>	(10,304)
Non-recognition of tax benefits related to losses	<b>1,686</b>	1,994	<b>6,359</b>	5,558
Other foreign taxes paid	<b>185</b>	408	<b>817</b>	579
Rate variances in foreign jurisdictions	<b>758</b>	(351)	<b>837</b>	(627)
Permanent differences	<b>942</b>	876	<b>3,497</b>	1,310
Other	<b>168</b>	984	<b>517</b>	1,799
Income tax (recovery) expense recognized in net loss	<b>\$ (758)</b>	\$ (1,670)	<b>\$ 4,482</b>	\$ (1,685)

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.

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**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.

	<u>Q3 2016</u>	<u>Q3 2015</u>	<u>YTD 2016</u>	<u>YTD 2015</u>
Net loss	<u>\$ (15,897)</u>	<u>\$ (18,999)</u>	<u>\$ (32,426)</u>	<u>\$ (36,478)</u>
Weighted average number of shares – basic and diluted (000's)	<u>80,137</u>	<u>80,136</u>	<u>80,137</u>	<u>79,807</u>
<b>Loss per share:</b>				
Basic	\$ (0.20)	\$ (0.24)	\$ (0.40)	\$ (0.46)
Diluted	\$ (0.20)	\$ (0.24)	\$ (0.40)	\$ (0.46)

There were no anti-dilutive options for the three and nine months ended January 31, 2016 and 2015.

The total number of shares outstanding on January 31, 2016 was 80,136,884 (2015 - 80,135,883).

**9. SEGMENTED INFORMATION**

The Company's operations are divided into the following 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:

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**9. SEGMENTED INFORMATION (Continued)**

	<u>Q3 2016</u>	<u>Q3 2015</u>	<u>YTD 2016</u>	<u>YTD 2015</u>
Revenue				
Canada - U.S.*	\$ 47,516	\$ 41,115	\$ 154,603	\$ 127,347
South and Central America	13,291	17,179	50,696	54,615
Asia and Africa	11,080	11,490	35,189	42,565
	<u>\$ 71,887</u>	<u>\$ 69,784</u>	<u>\$ 240,488</u>	<u>\$ 224,527</u>
Earnings (loss) from operations				
Canada - U.S.	\$ (4,162)	\$ (7,533)	\$ 175	\$ (5,566)
South and Central America	(6,158)	(5,288)	(6,876)	(10,800)
Asia and Africa	(3,160)	(5,211)	(14,034)	(14,021)
	<u>(13,480)</u>	<u>(18,032)</u>	<u>(20,735)</u>	<u>(30,387)</u>
Finance costs	290	178	441	572
General corporate expenses**	2,885	2,459	6,768	7,204
Income tax	(758)	(1,670)	4,482	(1,685)
Net loss	<u>\$ (15,897)</u>	<u>\$ (18,999)</u>	<u>\$ (32,426)</u>	<u>\$ (36,478)</u>

\*Canada - U.S. includes revenue of \$25,574 and \$22,423 for Canadian operations for the three months ended January 31, 2016 and 2015, respectively, and \$87,794 and \$74,060 for the nine months ended January 31, 2016 and 2015, respectively.

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

	<u>Q3 2016</u>	<u>Q3 2015</u>	<u>YTD 2016</u>	<u>YTD 2015</u>
Capital expenditures				
Canada - U.S.	\$ 2,493	\$ 2,843	\$ 12,152	\$ 9,460
South and Central America	505	115	1,928	2,148
Asia and Africa	1,059	801	1,736	2,420
Total capital expenditures	<u>\$ 4,057</u>	<u>\$ 3,759</u>	<u>\$ 15,816</u>	<u>\$ 14,028</u>
Depreciation and amortization				
Canada - U.S.	\$ 7,321	\$ 7,213	\$ 20,970	\$ 19,697
South and Central America	3,133	3,027	9,572	9,611
Asia and Africa	2,804	2,861	8,830	9,856
Unallocated and corporate assets	46	395	794	1,142
Total depreciation and amortization	<u>\$ 13,304</u>	<u>\$ 13,496</u>	<u>\$ 40,166</u>	<u>\$ 40,306</u>

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**9. SEGMENTED INFORMATION (Continued)**

	<u>January 31, 2016</u>	<u>April 30, 2015</u>
Identifiable assets		
Canada - U.S.*	\$ 239,948	\$ 226,919
South and Central America	151,088	163,539
Asia and Africa	108,470	109,791
Unallocated and corporate assets	49,612	42,455
Total identifiable assets	<u>\$ 549,118</u>	<u>\$ 542,704</u>

\*Canada - U.S. includes property, plant and equipment at January 31, 2016 of \$74,685 (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. The Company made the first payment of \$1,783 on the contingent consideration during the previous quarter.

**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. During the previous year, due to ongoing administrative difficulties to operate in the Democratic Republic of Congo ("DRC"), the Company closed its operation in that country.

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.

For the three and nine months ended January 31, 2016, respectively, the restructuring charge was \$1,509 (2015 - \$405) and \$8,000 (2015 - \$3,826), which includes an impairment charge of \$900 (2015 - nil) and \$4,379 (2015 - \$1,953) relating to property, plant and equipment; a write-down of \$609 (2015 - nil) and \$1,913 (2015 - \$1,628) to reduce inventory to net realizable value; employee severance charges of nil (2015 - \$350) and \$446 (2015 - \$1,025); other non-cash charges of nil (2015 - nil) and \$262 (2015 - nil); and a charge of nil (2015 - \$55) and \$1,000 (2015 - recovery of \$780) relating to the cost of winding down operations. The unpaid portion of these charges, totaling \$85, is recorded in trade and other payables.

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**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.

	<u>January 31, 2016</u>	<u>April 30, 2015</u>
Contingent consideration	\$ 8,347	\$ 10,130
Long-term debt	14,563	15,345

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

***Credit risk***

As at January 31, 2016, 81.4% (April 30, 2015 - 89.0%) of the Company's trade receivables were aged as current and 9.2% (April 30, 2015 - 8.2%) of the trade receivables were impaired.

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

	<u>January 31, 2016</u>	<u>January 31, 2015</u>
<b>Opening balance</b>	<b>\$ 4,204</b>	<b>\$ 3,016</b>
Increase in impairment allowance	1,177	1,769
Recovery of amounts previously impaired	(191)	(186)
Write-off charged against allowance	(206)	(811)
Foreign exchange translation differences	236	(144)
<b>Ending balance</b>	<b>\$ 5,220</b>	<b>\$ 3,644</b>

***Foreign currency risk***

As at January 31, 2016, 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:

	<b>Rate</b>						
	<b>Variance</b>	<b>ARP/USD</b>	<b>CFA/USD</b>	<b>COP/USD</b>	<b>USD/CLP</b>	<b>USD/CAD</b>	<b>MNT/USD</b>
Exposure		\$ 868	\$ 1,903	\$ 2,173	\$ 670	\$ 1,222	\$ 857
EBIT impact	+10%	96	211	241	74	136	95

	<b>Rate</b>		
	<b>Variance</b>	<b>IDR/USD</b>	<b>Other</b>
Exposure		\$ (1,055)	\$ 215
EBIT impact	+10%	(117)	8

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**12. FINANCIAL INSTRUMENTS (Continued)**

***Liquidity risk***

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

	<b><u>1 year</u></b>	<b><u>2-3 years</u></b>	<b><u>4-5 years</u></b>	<b><u>thereafter</u></b>	<b><u>Total</u></b>
Trade and other payables	\$ 34,239	\$ -	\$ -	\$ -	\$ 34,239
Contingent consideration	3,000	5,347	-	-	8,347
Long-term debt (interest included)	<u>7,060</u>	<u>5,427</u>	<u>2,186</u>	<u>618</u>	<u>15,291</u>
	<b><u>\$ 44,299</u></b>	<b><u>\$ 10,774</u></b>	<b><u>\$ 2,186</u></b>	<b><u>\$ 618</u></b>	<b><u>\$ 57,877</u></b>