Unaudited Interim Condensed Consolidated Financial Statements

First Quarter Fiscal 2017

(For the three-month periods ended September 30, 2016 and 2015)

These interim condensed consolidated financial statements have not been reviewed by the Company's independent auditors.

ORBIT GARANT DRILLING INC.

Interim condensed consolidated statements of loss

For the three-month periods ended September 30, 2016 and 2015

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

(Unaudited)

	Notes	September 30 2016 (3 months)	September 30 2015 (3 months)
		$	$
Contract revenue	15	30,508	24,285
Cost of contract revenue	5	27,625	20,949
Gross profit		2,883	3,336
Expenses			
General and administrative expenses	5	3,382	3,118
Foreign exchange (gain) loss	5	(139)	19
Finance costs	5	191	106
		3,434	3,243
Earnings (loss) before income taxes		(551)	93
Income taxes (recovery)	11		
Current		(83)	(87)
Deferred		(221)	389
		(304)	302
Net loss attributable to shareholders		(247)	(209)
Net loss per share attributable to shareholders	10		
Basic		(0.01)	(0.01)
Diluted		(0.01)	(0.01)

See accompanying notes to interim condensed consolidated financial statements.

ORBIT GARANT DRILLING INC.

Interim condensed consolidated statements of comprehensive loss

For the three-month periods ended September 30, 2016 and 2015

(in thousands of Canadian dollars)

(Unaudited)

	Notes	September 30 2016 (3 months)	September 30 2015 (3 months)
		$	$
Net loss		(247)	(209)
Other comprehensive income			
Items that will be reclassified subsequently to net loss :			
Unrealized gain on available-for-sale investments, net of income tax of $3	6	(23)	-
Cumulative translation adjustments		14	-
Other comprehensive income		(9)	-
Comprehensive loss attributable to shareholders		(256)	(209)

See accompanying notes to interim condensed consolidated financial statements.

ORBIT GARANT DRILLING INC.

Interim condensed consolidated statements of changes in equity

For the three-month periods ended September 30, 2016 and 2015

(in thousands of Canadian dollars)

(Unaudited)

Three-month period ended September 30, 2016	Share capital	Equity settled reserve	Retained Earnings	Accumulated other comprehensive income	Total Shareholders' Equity
	$	$	$	$	$
	(Note 10)	(Note 10)			
Balance as of July 1, 2016	55,688	1,468	21,720	195	79,071
Net loss	-	-	(247)	-	(247)
Unrealized gain on available-for-sale investments, net of income tax of $3	-	-	-	(23)	(23)
Cumulative translation adjustments	-	-	-	14	14
Share-based compensation	-	50	-	-	50
Balance as of September 30, 2016	55,688	1,518	21,473	186	78,865

Three-month period ended September 30, 2015	Share capital	Equity settled reserve	Retained Earnings	Accumulated other comprehensive income	Total Shareholders' Equity
	$	$	$	$	$
	(Note 10)	(Note 10)			
Balance as of July 1, 2015	54,411	1,458	21,750	-	77,619
Net loss and comprehensive loss	-	-	(209)	-	(209)
Share-based compensation	-	53	-	-	53
Balance as of September 30, 2015	54,411	1,511	21,541	-	77,463

ORBIT GARANT DRILLING INC.
Interim condensed consolidated statements of financial position
As of September 30, 2016 and June 30, 2016
(in thousands of Canadian dollars)
(Unaudited)

	Notes	September 30 2016	June 30 2016
		$	$
ASSETS			
Current assets			
Cash		2,019	2,293
Accounts receivable	14	22,020	21,339
Inventories		38,855	35,289
Income taxes receivable		1,210	1,058
Prepaid expenses		687	568
		64,791	60,547
Non-current assets			
Investments	6	597	709
Property, plant and equipment	7	41,619	42,978
Deferred tax assets	11	1,154	930
Total assets		108,161	105,164
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		18,533	15,362
Factoring liabilities		-	1,395
Current portion of finance leases	8	770	889
		19,303	17,646
Non-current liabilities			
Long-term debt and finance leases	8	9,993	8,447
		29,296	26,093
EQUITY			
Share capital	10	55,688	55,688
Equity settled reserve	10	1,518	1,468
Retained earnings		21,473	21,720
Accumulated other comprehensive income		186	195
Equity attributable to shareholders		78,865	79,071
Total liabilities and equity		108,161	105,164

APPROVED BY THE BOARD

Éric Alexandre, Director

Jean-Yves Laliberté, Director

See accompanying notes to interim condensed consolidated financial statements.

ORBIT GARANT DRILLING INC.

Interim condensed consolidated statements of cash flows

For the three-month periods ended September 30, 2016 and 2015

(in thousands of Canadian dollars)

(Unaudited)

	Notes	September 30 2016 (3 months)	September 30 2015 (3 months)
		$	$
OPERATING ACTIVITIES			
Earninigs (loss) before income taxes		(551)	93
Items not affecting cash:			
Depreciation of property, plant and equipment	5	2,765	2,288
Amortization of intangible assets		-	146
Gain on disposal of property, plant and equipment	7	(12)	(17)
Gain on disposal of investments	6	(266)	(3)
Share-based compensation	10	50	53
Finance costs		191	106
		2,177	2,666
Changes in non-cash operating working capital items	12	(1,195)	(60)
Income taxes paid		(69)	(60)
Finance costs paid		(171)	(91)
		742	2,455
INVESTING ACTIVITIES			
Proceeds from disposal of investments	6	352	23
Acquisition of property, plant and equipment	7	(1,397)	(949)
Proceeds from disposal of property, plant and equipment	7	51	17
		(994)	(909)
FINANCING ACTIVITIES			
Proceeds from factoring		1,017	-
Repayment on factoring		(2,412)	-
Proceeds from long-term debt and finance leases		25,200	15,223
Repayment of long-term debt and finance leases		(23,793)	(17,094)
		12	(1,871)
Effect of exchange rate changes		(34)	4
Decrease in cash		(274)	(321)
Cash, beginning of the period		2,293	396
Cash, end of the period		2,019	75

See accompanying notes to interim condensed 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.	100%
Perforación Orbit Garant Peru S.A.C.	100%
OGD Drilling (Guyana) Inc. (since August 16, 2016)	100%
Forage Orbit Garant BF S.A.S. (since October 24, 2016)	100%

2. BASIS OF PREPARATION

Basis of presentation

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting,* ("IAS 34"). The IFRS accounting policies that are set out in Note 5 to the Company's annual audited consolidated statements for the year ended June 30, 2016 were consistently applied to all periods presented. These interim condensed consolidated financial statements have not been subject to a review engagement by the Company's independant auditors.

The preparation of financial statements in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in Note 4 in the Company's annual audited consolidated financial statements for the year ended June 30, 2016. They remained unchanged for the three-month period ended September 30, 2016.

These interim condensed 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 interim condensed consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's 2016 annual audited consolidated financial statements.

These interim condensed consolidated financial statements were approved for issue by the Board of Directors of Orbit Garant Drilling Inc. on November 9, 2016.

2. BASIS OF PREPARATION (continued)

Principles of consolidation

The interim condensed 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 a period are included in the interim condensed consolidated statement of earnings from the effective date of acquisition to the effective date of disposal, as appropriate. Intercompany transactions and balances are eliminated on consolidation.

3. STANDARDS AND INTERPRETATIONS ADOPTED

The following standards and amendments to existing standards have been adopted by the Company on July 1, 2016:

IAS 16 – Property, Plant and Equipment
IAS 16 prohibits entities from using a revenue-based depreciation method for items of property, plant and equipment.

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.

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.

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.

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.

3. STANDARDS AND INTERPRETATIONS ADOPTED (continued)

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

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

4. 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.

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 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.

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

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

5. 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 interim condensed consolidated statement of loss and as follows:

	September 30 2016 (3 months)	September 30 2015 (3 months)
	$	$
Cost of contract revenue	2,561	2,046
General and administrative expenses	204	388
Total depreciation and amortization	2,765	2,434

Principal expenses by nature

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

	September 30 2016 (3 months)	September 30 2015 (3 months)
	$	$
Depreciation and amortization	2,765	2,434
Employee benefits expense	16,281	12,091
Cost of inventory	6,297	5,588
Other expenses	5,716	4,079
Total cost of contract revenue, general and administrative expenses, foreign exchange (gain) loss and finance costs	31,059	24,192

6. INVESTMENTS

Changes in investments were as follows:

	September 30 2016	June 30 2016
	$	$
Investments in public companies, beginning of the period	709	424
Disposal of investments	(86)	(51)
Change in fair value of available-for-sale investments	(26)	336
Investments in public companies, end of the period	597	709

The gain on disposal of investments totalling $266 for the three-month period ended September 30, 2016 is included in general and administrative expenses ($3 for the three-month period ended September 30, 2015).

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

7. PROPERTY, PLANT AND EQUIPMENT

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

	September 30 2016 (3 months)	September 30 2015 (3 months)
	$	$
Acquisition of property, plant and equipment	1,397	949
Proceed from disposal of property, plant and equipment	(51)	(17)
Gain on disposal of property, plant and equipment	(12)	(17)

The gain on disposal of property, plant and equipment is included in cost of contract revenue.

8. LONG-TERM DEBT AND FINANCE LEASE

	September 30 2016	June 30 2016
	$	$
Loan authorized for a maximum amount of $25 million, bearing interest at prime rate plus 0.50%, effective rate as at September 30, 2016 3.2%, maturing December 2017, secured by first rank hypothec on the universality of all present and future assets (a) (b)	9,123	7,403
Finance leases, bearing interest between 3.34% and 9.80% (June 30, 2016: 3.34% and 29.02%) , maturing December 2020	1,640	1,933
	10,763	9,336
Current portion	(770)	(889)
	9,993	8,447

(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%.

(b) An unamortized amount of $77 ($97 as at June 30, 2016), 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 9). As at September 30, 2016, the Company was compliant with its financial covenants.

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

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

8. LONG-TERM DEBT AND FINANCE LEASE (continued)

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

	Loan	Finance lease	Total
	$	$	$
Not more than one year	-	770	770
Later than one year and not later than five years	9,200	870	10,070
	9,200	1,640	10,840

Minimum lease payments are as follows:

	Minimum lease payments	Present value of minimum lease payments	
		September 30 2016	September 30 2015
	$	$	$
Not more than one year	843	770	-
Later than one year and not later than five years	916	870	-
	1,759	1,640	-
Less: future finance charges	(119)	-	-
Present value of minimum lease payments	1,640	1,640	-

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

As at September 30, 2016	Total	Not more than one year	Later than one but not later than five years
	$	$	$
CAN	9,493	58	9,435
Chilean Pesos (CLP676,253,030)	1,347	712	635
	10,840	770	10,070

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

9. CAPITAL MANAGEMENT

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

Total managed capital was as follows:

	September 30 2016	June 30 2016
	$	$
Long-term debt and finance leases	10,763	9,336
Share capital	55,688	55,688
Equity settled reserve	1,518	1,468
Retained earnings	21,473	21,720
Cash	(2,019)	(2,293)
	87,423	85,919

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 September 30, 2016, as mentioned in Note 8, the Company complied with its covenants (June 30, 2016: 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 regard to capital management remain unchanged from the prior year.

10. 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.

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

[(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.

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

10. 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	September 30 2016 (3 months)	September 30 2015 (3 months)
Net loss available to common shareholders	(247) $	(209) $
Weighted average basic number of common shares outstanding	35,101,419	33,276,519
Net loss per share - basic	(0.01) $	(0.01) $

Net loss per share - diluted	September 30 2016 (3 months)	September 30 2015 (3 months)
Net loss available to common shareholders	(247) $	(209) $
Weighted average basic number of common shares outstanding	35,101,419	33,276,519
Adjustment to average number of common shares - stock options	-	-
Weighted average diluted number of common shares outstanding	35,101,419	33,276,519
Net loss per share - diluted	(0.01) $	(0.01) $

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

	September 30, 2016 (3 months)		September 30, 2015 (3 months)	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Outstanding at the beginning of the period	2,877,500	1.16	2,226,500	1.35
Cancelled during the period	-	-	(21,000)	4.00
Outstanding at end of the period	2,877,500	1.16	2,205,500	1.32
Exercisable at end of the period	1,561,000	1.27	1,360,000	1.23

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

10. SHARE CAPITAL (continued)

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

Range of exercise price $	Outstanding at September 30, 2016	Weighted average remaining life (years)	Weighted average exercise price $	Exercisable at September 30, 2016	Weighted average exercise price $
0.50 - 2.40	2,860,000	3.21	1.14	1,543,500	1.24
2.40 - 4.30	17,500	1.93	4.00	17,500	4.00
	2,877,500			1,561,000	

During the periods 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:

	September 30 2016 (3 months)	September 30 2015 (3 months)
	$	$
Expense related to share-based compensation	50	53

11. INCOME TAXES

The tax rates prescribed by the applicable laws are at 26.90% in 2016 and at 26.63% in 2015.

	September 30 2016 (3 months)	September 30 2015 (3 months)
	$	$
Earnings (loss) before income taxes	(551)	93
Statutory rates	26.90%	26.63%
Income taxes (recovery) based on statutory rates	(148)	25
Increase (decrease) of income taxes due to the following:		
Impact of foreign tax rate differences	(19)	(22)
Non-deductible expenses and other	8	32
Non-deductible share-based compensation expense	13	14
Non taxable portion of capital gain	(39)	-
Utilization of unrecognized tax losses	(445)	-
Income tax asset not recognized	326	253
Total income taxes (recovery)	(304)	302

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

12. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

Changes in non-cash operating working capital items:

	September 30 2016 (3 months)	September 30 2015 (3 months)
	$	$
Accounts receivable	(681)	(83)
Inventories	(3,566)	(2,651)
Prepaid expenses	(119)	87
Accounts payable and accrued liabilities	3,171	2,587
	(1,195)	(60)

13. COMMITMENTS AND GUARANTEES

Commitments

The Company has entered into operating lease agreements expiring in 2020 which call for lease payments of $321 for the rental of vehicles. The Company has also entered into lease agreements for offices expiring in 2021 for minimum lease payments of $1,513. 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	533
2018	437
2019	399
2020	369
2021	96

Guarantees

For the three-month period ended September 30, 2016, the Company issued some bank guarantees in favor of customers for a total amount of $650, maturing in December 2017 (June 30, 2016: $885). For the three-month period ended September 30, 2016, the Company has not made any payments in connection with these guarantees (three-month period ended September 30, 2015: $nil).

14. 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 September 30, 2016, the Company has cash in US dollars for an amount of $1,066 (June 30, 2016, $1,473) and accounts receivable in US dollars for an amount of $717 (June 30, 2016, $640). The Company has cash in Chilean Pesos for an amount of CLP188,067,325 (June 30, 2016, CLP292,449,849) and accounts receivable in Chilean Pesos for an amount of CLP417,765,757 (June 30, 2016, CLP1,076,241,833). The Company has cash in GHS cedi for an amount of 403,471 (June 30, 2016, 131,758) and accounts receivable in GHS cedi for an amount of 1,218,256 (June 30, 2016, 519,382).

As at September 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 of $162 (June 30, 2016, $197), a 10% increase or decrease of the Chilean Pesos exchange rate would have caused a corresponding annual increase or decrease in net loss $23 (June 30, 2016, $23) and a 10% increase or decrease of the GHS cedi exchange rate would have caused a corresponding annual increase or decrease in net loss of $158 (June 30, 2016: $66).

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 September 30, 2016, the amount of the insurance coverage from EDC represents 3% of the accounts receivable (7% as at June 30, 2016).

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

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

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

14. FINANCIAL INSTRUMENTS (continued)

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

	September 30 2016 (3 months)	September 30 2015 (3 months)
	$	$
Balance at beginning of the period	1,074	1,010
Change in allowance, other than write-offs and recoveries	125	13
Balance at end of the period	1,199	1,023

As at September 30, 2016, 58% (June 30, 2016: 53%) of the trade accounts receivable are aged as current and 5% are impaired (June 30, 2016: 5%).

Two major customers represent 22% of the trade accounts receivable as at September 30, 2016 (June 30, 2016, one major customer represents 10% of these accounts).

One major customer represents 27% of the contract revenue for the three-month period ended September 30, 2016 (three-month period ended September 30, 2015, two major customers represent 53%).

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 September 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 $68 (June 30, 2016, $55).

Equity market risk

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

Fair value

The fair value of cash, accounts receivable, 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.

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

14. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

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

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

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

As at September 30, 2016, the investments are classified as a Level 1 financial instrument as the fair value is determined using quoted prices in the active markets.

There were no transfers of amounts between Level 1, Level 2 and Level 3 financial instruments for the periods ended September 30, 2016 and September 30, 2015.

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

The Company enters into receivable purchase agreements (commonly referred to a "factoring agreements") with different banks as part of its normal working capital financing. The Company receives 100% of the value of the specific sales invoice less a charge between 0.46% and 0.52%. As at September 30, 2016, there were no trade receivables related to factored accounts ($1,395 as at June 30, 2016).

				As at September 30, 2016
	Total	0 -1 year	2 - 3 years	4 - 5 years
	$	$	$	$
Accounts payable and accrued liabilities	18,533	18,533	-	-
Long-term debt (capital only)	9,200	-	9,200	-
Finance leases	1,640	770	870	-
	29,373	19,303	10,070	-

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

15. 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.

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

	September 30 2016 (3 months)	September 30 2015 (3 months)
	$	$
Contract revenue		
Canada	25,450	23,792
International	5,058	493
	30,508	24,285
Profit (loss) from operation		
Canada	899	2,835
International	(924)	(1,729)
	(25)	1,106
General and corporate expenses [(1)]	335	907
Finance costs	191	106
Income taxes (recovery)	(304)	302
	222	1,315
Net loss	(247)	(209)

(1) General and corporate expenses include expenses for corporate offices, stock options and certain unallocated costs.

Depreciation and amortization		
Canada	1,750	1,775
International	811	271
Unallocated and corporate assets	204	388
	2,765	2,434

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

15. SEGMENTED INFORMATION (continued)

	As at September 30, 2016	As at June 30, 2016
	$	$
Identifiable assets		
Canada	81,388	76,200
International	26,773	28,964
	108,161	105,164
Property, plant and equipment		
Canada	30,346	31,477
International	11,273	11,501
	41,619	42,978