FORAGE ORBIT GARANT DRILLING

2018 ANNUAL REPORT

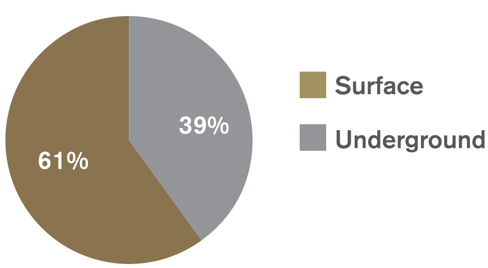
STRONG CANADIAN FOUNDATION | EXPANDING GLOBAL PRESENCE

PROFILE

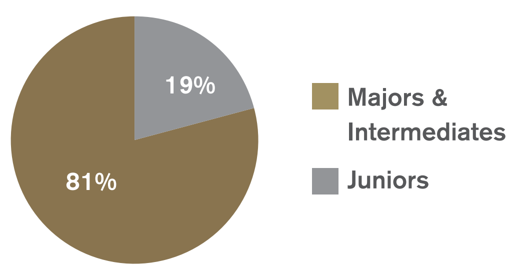
Headquartered in Val-d'Or, Quebec, Orbit Garant Drilling (TSX: OGD) is one of the largest Canadian-based mineral drilling companies, providing both underground and surface drilling services in Canada and internationally through its 221 drill rigs and more than 1,200 employees. Orbit Garant provides services to major, intermediate and junior mining companies, through each stage of mining exploration, development and production. The Company also provides geotechnical drilling services to mining or mineral exploration companies, engineering and environmental consultant firms, and government agencies.

MARKET POSITION (BY PERCENTAGE OF REVENUE[1])

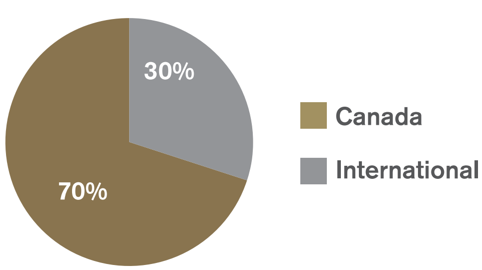
DRILLING ACTIVITY



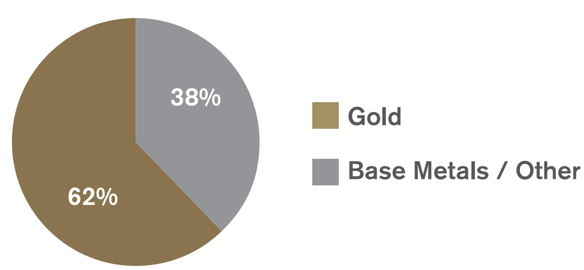
CUSTOMERS



REGIONS



RESOURCE EXPOSURE



1. For the year ended June 30, 2018

To our shareholders,

Orbit Garant delivered solid operational and financial results in fiscal 2018, driven by increased customer demand and strategic investments we made to grow our business. We drilled approximately 1.54 million metres, an increase of 18.9% from fiscal 2017, marking the first time we exceeded 1.5 million metres drilled in a fiscal year. Our revenue was a record $173.1 million, up 38.3% from a year ago. And we recorded EBITDA and net earnings of $14.7 million and $4.5 million, respectively, both of which represented significant improvements over fiscal 2017.

Both our Canadian and international operations performed well. In Canada, we realized our highest annualized drill utilization rates since fiscal 2012, when global mineral exploration and mine development budgets were at record levels. Our higher drill utilization rates reflect the steady growth in customer demand we have experienced in Canada since early 2016. In response to this demand growth, we expanded our Canadian workforce significantly over the last two years, training employees and deploying them on projects. Our new people lacked the experience of our more senior drillers, and we faced temporary productivity challenges during fiscal 2017 and 2018 while they honed their skills. High project mobilization costs also impacted our margins as we started many new projects. In the fourth quarter of 2018, we started seeing productivity gains and enhanced margins as our newer drillers gained experience and project mobilization costs declined.

On the international front, we continued to generate outstanding growth in fiscal 2018, with revenue from international projects more than doubling from a year earlier to $52.2 million. We generated 30% of our overall revenue from international projects during fiscal 2018, exceeding our 25% target that we set when we embarked on our international expansion in fiscal 2013. The bulk of our international revenue came from Chile, where we grew our revenue base to more than $40 million. The acquisition of Captagua Ingeniería S.A (now OG Chile) in fiscal 2016 provided us with a strong platform for growth in that country. We have capitalized on that platform to win major new contracts and strengthen our relationships with some of the world's leading mining companies. We are increasingly being recognized as the drilling partner of choice in this market because of our advanced expertise in both underground and surface drilling. Looking ahead, we will remain focused on continuing to capture market share in Chile, as well as expanding our market presence into other South American countries.

We are now intent on repeating our Chilean success in West Africa. Subsequent to fiscal 2018, our operating subsidiary, based in Ouagadougou, Burkina Faso, acquired the drilling business of Projet Production International BF S.A. for US$6.4 million. Through the acquisition, we have added 13 surface drills, related support equipment, and existing customer contracts in Burkina Faso. We also retained approximately 100 employees, including experienced drillers and support personnel, who will now be based in our offices in Ouagadougou.

Just as we did in Chile, we first established a foothold in West Africa and then strengthened our presence with a local and highly complementary acquisition that positions us for further growth. We expect the acquisition to add approximately $12 million in incremental revenue and generate positive earnings and cash flow for our fiscal year ended June 30, 2019. Burkina Faso has emerged as one of largest gold producing countries in Africa and one of the most active exploration markets on the continent. This acquisition significantly strengthens our presence in Burkina Faso and the broader West African mineral drilling market, positioning us to pursue new growth opportunities.

While we are currently seeing a slight downturn in demand in our Canadian operations, with recent lower levels of mining financing and commodity prices, we continue to see strong demand growth and new opportunities in our international operations, which is more than offsetting the slower activity here at home. This is further evidence that our decision to expand internationally was appropriate and well-timed.

As we pursue continued growth, we are maintaining our focus on innovation and technological leadership. The best example is our computerized monitoring and control technology. We currently have 34 underground drill rigs outfitted with this state-of-the-art technology, which provides superior drilling accuracy, consistency of results, remote monitoring capability and improved safety. Another key benefit is the ability for less experienced drillers to reach desired productivity levels at a faster rate. All of these rigs are currently deployed on customer projects, and we expect that they will continue to be in very high demand for the foreseeable future. Our next initiative with this new technology is to begin rolling out computerized surface drills. Our focus on innovation will remain a competitive differentiator for Orbit Garant in the years ahead.

We believe the long-term outlook for the mining industry is positive, despite short-term volatility. Demand for metals remains solid, major new mineral discoveries are increasingly rare, and mining companies have struggled to get projects permitted and built in a reasonable timeframe and at a reasonable cost. Many miners are dealing with declining reserves and production. This is particularly true in the gold mining industry, from which we generate the majority of our revenue. S&P recently reported that 15 of the 20 largest gold producers had shorter reserve lives at the end of 2017 than they did 10 years ago. For the gold industry to remain viable in the long term, significant ongoing spending on exploration and mine development will be required.

Looking ahead, with a solid balance sheet, recent investments in growth, expertise in both surface and underground drilling, expanded international presence, vertically-integrated manufacturing capabilities, and constant focus on innovation, we are well positioned to continue strengthening our market leadership position in the mineral drilling industry and build value for our shareholders.

In closing, we extend our gratitude to our 1,200-plus employees for their hard work, dedication and commitment. And to our shareholders, we thank you for your continued support.

Sincerely,

Paul Carmel
Chair

Eric Alexandre
President and Chief Executive Officer

MD&A and Consolidated Financial Statements

YEAR END AND FOURTH QUARTER FISCAL 2018

SEPTEMBER 12, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis ("MD&A") is a review of the results of operations, the liquidity and the capital resources of Orbit Garant Drilling Inc. This discussion contains forward-looking statements. Please see ''Forward-Looking Statements'' for a discussion of the risks, uncertainties and assumptions relating to these statements.

This MD&A should be read in conjunction with the audited consolidated financial statements for the fiscal years ended June 30, 2018 ("Fiscal 2018") and June 30, 2017 ("Fiscal 2017") and the notes thereto which are available on the SEDAR website at WWW.sedar.com.

The Company's Fiscal 2018 audited consolidated financial statements and the accompanying notes were prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts in this MD&A are in Canadian dollars, except when otherwise noted.

In this MD&A, references to the "Company" or to "Orbit Garant" shall mean, as the context may require, either Orbit Garant Drilling Inc. or Orbit Garant Drilling Inc. together with its wholly owned subsidiaries.

This MD&A is dated September 12, 2018. Disclosure contained in this document is current to that date unless otherwise stated.

Percentage calculations are based on numbers in the Financial Statements and may not correspond to rounded figures presented in this MD&A.

Additional information relating to the Company, including the Company's Annual Information Form for the most recently completed fiscal year, can be found on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Securities laws encourage companies to disclose forward-looking information in order for investors to have a better understanding of a company's future prospects and make informed investment decisions.

This MD&A contains forward-looking statements about the Company's objectives, strategies, financial condition, results of operations, cash flows and businesses. These statements are "forward-looking" because they are based on current expectations, estimates and assumptions about: the markets in which the Company operates; the world economic climate as it relates to the mining industry; the Canadian economic environment; and the Company's ability to attract and retain customers and to manage its assets and operating costs.

Actual results could be materially different from expectations if known or unknown risks affect the business, or if estimates or assumptions turn out to be inaccurate. The Company does not guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place reliance on these forward-looking statements.

The Company disclaims any intention and assumes no obligation to update any forward-looking statement, even if new information becomes available, as a result of future events or for any other reasons except in accordance with applicable securities laws. Risks that could cause the Company's actual results to materially differ from its current expectations are discussed in this MD&A. For a more complete discussion of the risk factors that could cause the Company's actual results to materially differ from its current expectations, please refer to the Company's Annual Information Form dated September 12, 2018, accessible via www.sedar.com.

FISCAL 2018 SUMMARY

- Revenue increased 38.3% to $173.1 million, compared to $125.2 million in Fiscal 2017
- Gross margin increased to 12.4% from 6.4% in Fiscal 2017
- Adjusted gross margin(1) (excluding depreciation expense) increased to 17.0%, from 13.4% in Fiscal 2017
- EBITDA(1) increased to $14.7 million, compared to $2.7 million in Fiscal 2017
- Net earnings were $4.5 million, compared to a net loss of $5.9 million in Fiscal 2017
- Metres drilled in Fiscal 2018 totalled 1,537,212, an increase of 18.9% compared to 1,293,350 metres drilled in Fiscal 2017

(1) See Reconciliation of non-IFRS measures

Orbit Garant has now achieved fourteen consecutive quarters of year-over-year growth in revenue including the fourth quarter of Fiscal 2018 ("Q4 FY2018"). The Company's $173.1 million in revenue for fiscal 2018 represents a record high in total revenue for a fiscal year. Orbit Garant's revenue growth reflects: i) increasing customer demand and drilling volumes in Canada; and ii) increased international business activity resulting from the Company's expansion of its international operations in strategic markets. With the significant increase in drilling volumes, Orbit Garant has been expanding its workforce and investing in training of less experienced drillers on certain projects, which negatively impacted productivity levels during the year.

CORPORATE OVERVIEW

Orbit Garant (TSX: OGD) is one of the largest Canadian-based mineral drilling companies, with 221 drill rigs and more than 1,200 employees. Headquartered in Val-d'Or, Québec, the Company provides both underground and surface drilling services in Canada and internationally to major, intermediate and junior mining companies, through each stage of mineral exploration, mine development and production. Orbit Garant also provides geotechnical and water drilling services to mining or mineral exploration companies, engineering and environmental consultant firms, and government agencies. The majority of Orbit Garant's business activity is currently conducted in Canada. The Company has regional offices and facilities in Sudbury, Ontario and Moncton, New Brunswick, to support its Canadian business activities. Orbit Garant has worked on international projects in the United States, Mexico, Guyana, Chile, Kazakhstan, and West Africa. The Company has established international operating subsidiaries in: Santiago, Chile; Lima, Peru; Georgetown, Guyana; Ouagadougou, Burkina Faso; and Takoradi, Ghana, to support its international operations.

Orbit Garant has a comprehensive infrastructure that is vertically integrated with its Val-d'Or, Québec, based subsidiary, Soudure Royale, which manufactures drill rigs for the Company and third parties. Soudure Royale provides the Company with a competitive advantage in the provision of drilling services and equipment. Orbit Garant focuses on "specialized drilling", which refers to drilling projects that are in remote locations or, in the opinion of Management, because of the scope, complexity or technical nature of the work, cannot be undertaken by smaller conventional drilling companies.

The Company has two operating segments: Canada (including surface drilling, underground drilling and manufacturing Canada), and International.

For Fiscal 2018:

- Specialized drilling services, which typically generate a higher gross margin than conventional drilling services, accounted for approximately 60% of the Company's total revenue, compared to 53% in Fiscal 2017.

- Approximately 62% of the Company's revenues were generated by gold related operations, and approximately 38% were generated by base metal related and other operations.
- Surface and underground drilling services accounted for approximately 61% and 39%, respectively, of the Company's revenue.
- Approximately 81% of Orbit Garant's revenue was generated from major and intermediate mining company projects, compared to 79% in Fiscal 2017. Orbit Garant's drilling contracts with major and intermediate customers are typically from one to five years in length.
- Approximately 70% of Orbit Garant's revenue was generated from domestic drilling projects, and approximately 30% was generated from international drilling contracts.

BUSINESS STRATEGY

Orbit Garant's goal is to be the leading Canadian-based mineral drilling company. This will be achieved through the pursuit of both domestic and international market opportunities and through the provision of best-in-class underground and surface drilling services, equipment and personnel for all stages of the mining and minerals business, including exploration, development and production. The Company employs the following business strategies:

- Focus primarily on major and well-financed intermediate mining and exploration companies operating in stable jurisdictions;
- Provide conventional, specialized and geotechnical drilling services;
- Manufacture customized drills and equipment to fit the needs of customers;
- Maintain a commitment to technological innovation and advanced drilling technologies, such as the Company's current implementation of computerized monitoring and control technologies;
- Provide training for the Company's personnel to continuously improve labour efficiency and the availability of a skilled labour force;
- Maintain a high level of health and safety standards in the workplace and promote protection of the environment;
- Establish and maintain long-term relationships with customers;
- Cross-sell drilling services to existing customers;
- Expand the Company's base of operations in strategic regions, such as the Company's acquisition of, Orbit Garant Chile S.A. ("OG Chile") based in Santiago, Chile, in December 2015;
- Maintain a sound balance sheet and a judicious deployment of capital; and
- Evaluate strategic acquisition opportunities to enhance value for the Company's stakeholders.

INDUSTRY OVERVIEW

Orbit Garant provides drilling services, in Canada and internationally, to the minerals industry through all stages of mine development, from exploration through production. Client mining companies consist of major (or senior), intermediate, and junior companies (which generally focus on exploration only). Mining companies' budgets for external drilling services, such as those offered by Orbit Garant, are typically determined by ferrous (iron) and non-ferrous (precious and base) metals prices, and the availability of capital to finance exploration (particularly in the case of juniors) and development programs, and/or ongoing mining operations.

Gold

Gold prices are determined by the balance between supply (primarily mine production) and the many sources of demand including global demand for gold jewelry, investment demand, and to a much lesser extent, demand from industrial applications. Following a prolonged rally in the price of gold that started in 2001 and resulted in a peak price of more than US$1,900 per ounce in September 2011, the price of gold entered a period of overall decline starting in January 2013, when it was at approximately US$1,700 per ounce. The spot price of gold reached a trailing five-year price low of approximately US$1,049 per ounce in December 2015. Gold strengthened in 2016 and 2017, reaching yearly highs of approximately US$1,375 per ounce and US$1,358 per ounce, respectively. The spot price of gold was approximately US$1,306 per ounce on January 1, 2018. At the time of this report, the spot price of gold was approximately US$1,211 per ounce, an increase of 14% from its trailing five-year price low in December 2015, and a decrease of 7% since the start of 2018.

Base Metals

Base metals' prices generally reflect global economic conditions, as these metals are used primarily in infrastructure, industrial and manufacturing applications. Demand from emerging markets, particularly China and India, has a major influence on base metals markets. As emerging markets advance their economic development, their infrastructure and industrial bases expand. Further, residents typically become more affluent, driving increased demand for manufactured goods.

Aluminum, copper, lead, nickel and zinc are the primary base metals. At the time of this report, the respective spot prices for aluminum, copper, lead and zinc were lower than 12 months ago, while nickel was higher than 12 months ago. The spot price for copper, the metal widely considered to be the most sensitive to macroeconomic activity, was approximately US$3.03 per pound a year ago and at the time of this report was approximately US$2.68 per pound, a decrease of 12%. The spot prices for each of the primary base metals are currently at or near the mid-point of their respective trailing five-year price ranges.

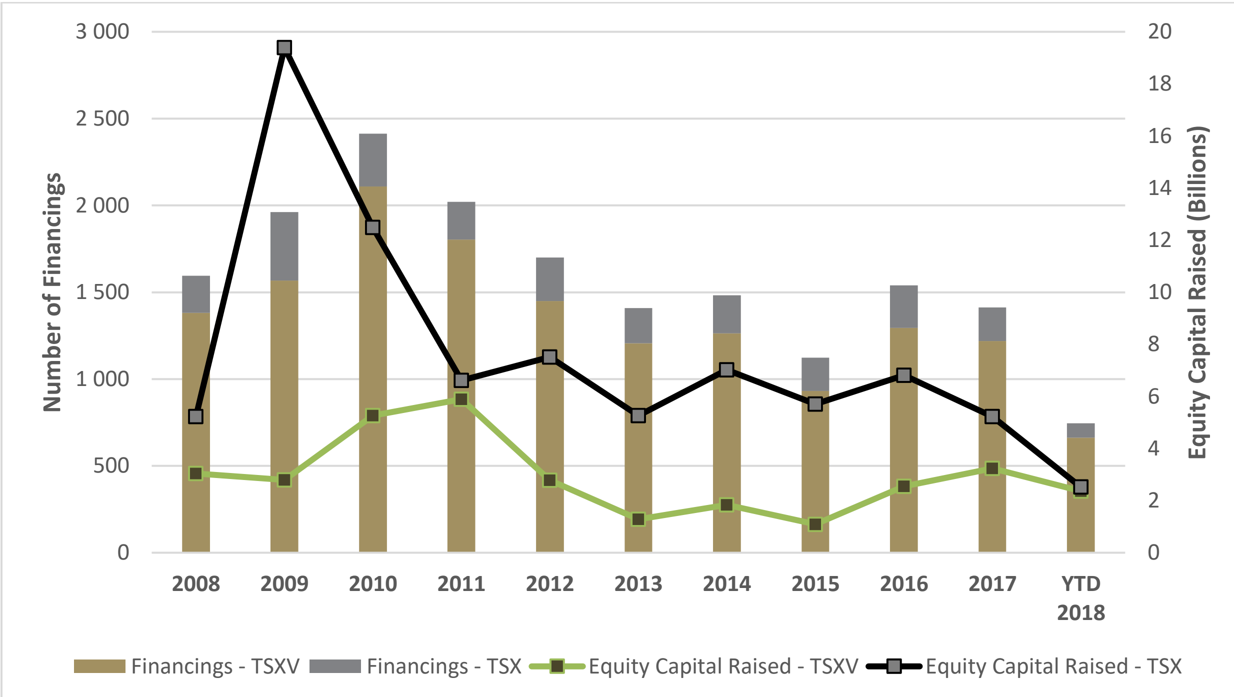
Iron Ore

Iron ore prices are determined by the global demand for steel, as more than 95% of mined iron ore is used to make steel. As both the world's largest consumer and producer of steel, China is widely regarded as having the most influence on global iron ore market prices. Continuing urbanization of the world's population, particularly in China and India, the world's most populous countries, is fueling global steel consumption, and long-term demand is expected to continue to trend higher. In the short term, the spot price of iron ore is principally affected by seasonal effects, short term mismatches between supply and demand and other factors. At the time of this report, the spot price of iron ore was approximately US$68 per tonne, compared to approximately US$75 per tonne one year ago. Iron ore remains well below its trailing five-year high of approximately US$150 per tonne.

Market Participants

A recovery in the mining sector began in early 2016 after a prolonged market downturn. Metal prices have increased from their lows that year, resulting in heightened investor interest in mining equities and improved mining equity valuations compared to the market bottom. Mining companies have experienced improved access to capital since early 2016. According to TMX Group, mining companies listed on the Toronto Stock Exchange ("TSX") and TSX-Venture exchanges completed 1,540 financings in 2016 and 1,413 financings in 2017, respectively, raising total equity capital of $9.4 billion in 2016 and $8.5 billion in 2017. By comparison, miners completed just 1,123 financings in 2015 and raised $6.8 billion of equity capital. The improved financing activity continued into 2018. During the first seven months of the year, mining companies on the TSX and TSX-Venture exchanges completed 746 financings that raised approximately $4.9 billion, TMX data shows. That compares to 828 financings that raised $4.4 billion in the same period in 2017, which was another strong year. However, market conditions weakened during the summer of 2018. Metal prices have declined since mid-June, triggering a significant drop in mining equity valuations. Accordingly, financing activity has begun to slow down. During the month of July 2018, mining companies on the TSX and TSX-Venture exchanges completed 96 financings that raised just $490 million of equity capital, according to TMX Group. That compares to 123 financings in July 2017, which raised $584 million.

TSX / TSX-V Mining Sector Financings (2008 to 2018)



Despite the market slowdown during the summer of 2018, the mining sector is in a stronger capital position than it was at the start of 2016 due to the significant funds raised since that date. While management has noted the recent decline in financing and its potential impact on exploration budgets, it is encouraged by the relative increase in the levels of mineral exploration spending in Canada and internationally, and the higher drill utilization rates across the industry compared to the market conditions prior to 2016.

According to research published by S&P Global Market Intelligence (World Exploration Trends, March 2018) global exploration spending for nonferrous metals increased to an estimated US$8.4 billion in 2017, compared to US$7.3 billion in 2016. This represented the first annual increase in global exploration spending since 2012, following four consecutive years of declining expenditures. S&P Global Market Intelligence forecasts that global exploration spending for nonferrous metals for 2018 will increase by a further 15% to 20% year-over-year.

According to Natural Resources Canada's latest national survey on mineral exploration and deposit appraisal expenditures (March 2018), mining companies in Canada spent $2.1 billion on these activities in 2017, an increase of 29.6% compared to $1.6 billion in 2016. Natural Resources Canada forecasts that 2018 mineral exploration and deposit appraisal expenditures in Canada will increase 6.0% from 2017 levels, based on reported spending intentions.

OVERALL PERFORMANCE

Revenue for the Fiscal year ended June 30, 2018 was $173.1 million, an increase of 38.3% from $125.2 million in Fiscal 2017.

Gross margin percentage for Fiscal 2018 was 12.4%, up from 6.4% for Fiscal 2017. Drilling volume improved in both Canada and International, including increased specialized drilling activity.

The increase in both revenue and gross margins contributed to net earnings of $4.5 million, or $0.12 per share, for Fiscal 2018, compared to a net loss of $5.9 million, or $0.17 per share, for Fiscal 2017. Earnings before interest, taxes, depreciation and amortization ("EBITDA" – see Reconciliation of non-IFRS measures) totalled $14.7 million in Fiscal 2018, compared to $2.7 million in Fiscal 2017.

Results of operations for the year ended June 30, 2018

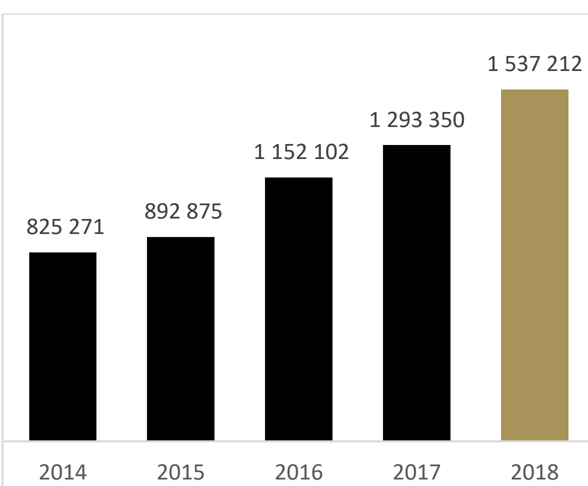
FISCAL YEAR ENDED JUNE 30 * ($millions)	Fiscal 2018	Fiscal 2017	2018 vs. 2017 Variance
Revenue *	**173.1**	125.2	**47.9**
Gross profit *	**21.5**	8.0	**13.5**
Gross margin (%)	**12.4**	6.4	**6.0**
Adjusted gross margin (%) (1)	**17.0**	13.4	**3.6**
Net earnings (loss) *	**4.5**	(5.9)	**10.4**
Net earnings (loss) per common share - Basic ($)	**0.12**	(0.17)	**0.29**
- Diluted ($)	**0.12**	(0.17)	**0.29**
EBITDA * (2)	**14.7**	2.7	**12.0**
Metres drilled	**1,537,212**	1,293,350	**243,862**

(1) Reflects gross margin, excluding depreciation expenses. See "Reconciliation of non-IFRS financial measures"
(2) EBITDA = Earnings before interest, taxes, depreciation and amortization. See "Reconciliation of non-IFRS financial measures"

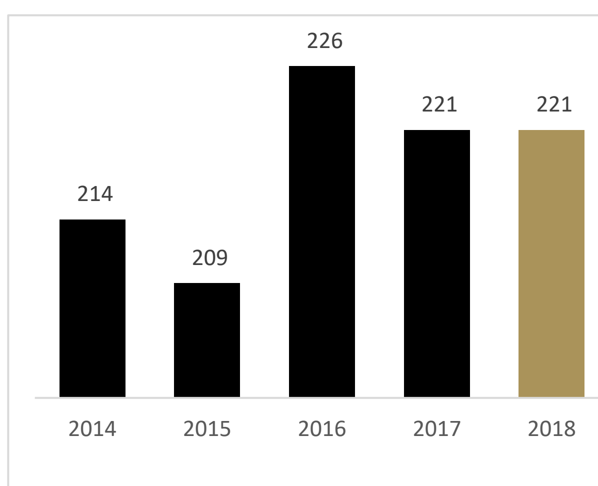
During Fiscal 2018, Orbit Garant drilled 1,537,212 metres, an 18.9% increase from 1,293,350 metres drilled in Fiscal 2017. The Company's average revenue per metre drilled in Fiscal 2018 was $112.29, an increase of 16.3% from $96.53 in Fiscal 2017. The increase in average revenue per metre drilled is primarily attributable to the Company's specialized drilling activity in Chile, which is priced at a higher rate than conventional drilling.

The Company had 221 drill rigs as at June 30, 2018, the same number as at the end of Fiscal 2017. During Fiscal 2018, Soudure Royale manufactured nine new drill rigs, including two new computerized drill rigs, while eight conventional drill rigs were dismantled and one was sold.

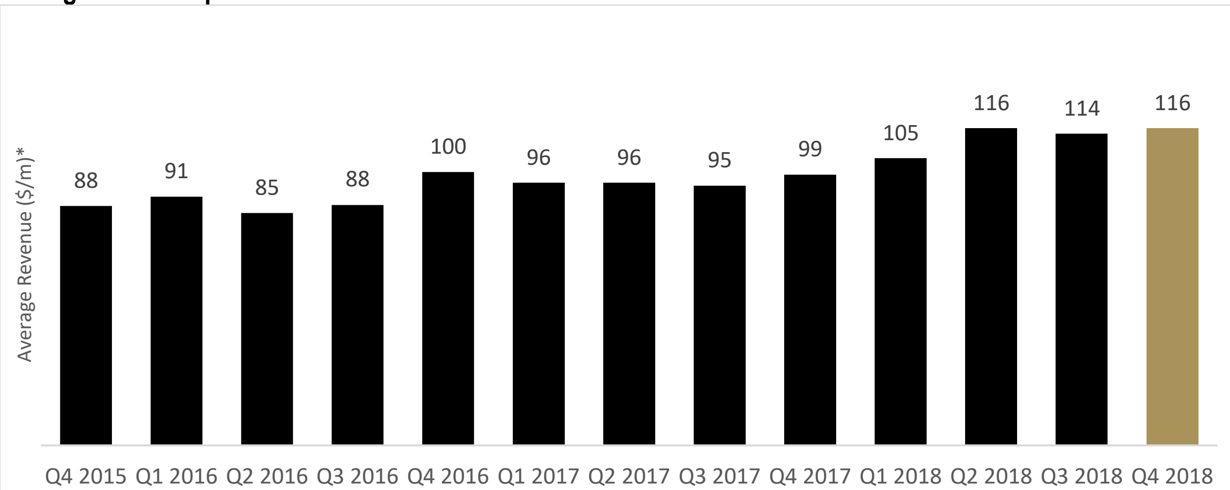
Metres Drilled



Number of Drills



Average Revenue per Metre Drilled



* Figures are rounded to the nearest dollar.

SELECTED ANNUAL FINANCIAL INFORMATION

For the year ended June 30 *($millions)	Fiscal 2018	Fiscal 2017	Fiscal 2016
Contract revenue			
Drilling Canada *	**120.9**	99.3	92.4
Drilling International *	**52.2**	25.9	15.1
Total *	**173.1**	125.2	107.5
Gross profit *	**21.5**	8.0	10.2
Gross margin (%)	**12.4**	6.4	9.5
Adjusted gross margin (%) (1)	**17.0**	13.4	18.1
Negative goodwill *	**-**	-	5.0
Net earnings (loss) *	**4.5**	(5.9)	(0.2)
Net earnings (loss) per common share ($)	**0.12**	(0.17)	(0.01)
Net earnings (loss) per common share diluted ($)	**0.12**	(0.17)	(0.01)
Total assets *	**123.3**	111.4	105.2
Long term debt including current portion *	**20.0**	17.0	9.3
EBITDA * (2)	**14.7**	2.7	11.1
EBITDA % (2)	**8.5**	2.2	10.3
Total metres drilled (million)	**1.5**	1.3	1.2

(1) Reflects gross margin, excluding depreciation expenses. See "Reconciliation of non-IFRS financial measures"
(2) EBITDA = Earnings before interest, taxes, depreciation and amortization. See "Reconciliation of non-IFRS financial measures".

RESULTS OF OPERATIONS

FISCAL 2018 COMPARED TO FISCAL 2017

Contract Revenue

Revenue in Fiscal 2018 totalled $173.1million, an increase of $47.9 million, or 38.3%, from $125.2 million in Fiscal 2017. Revenue growth was primarily attributable to an increase in domestic and international metres drilled, and a higher proportion of specialized drilling activity.

Canada revenue was $120.9 million in Fiscal 2018, an increase of $21.6 million, or 21.8%, from $99.3 million in Fiscal 2017. The increase was primarily attributable to a higher number of metres drilled, increased specialized drilling activity and higher pricing on certain contracts.

International revenue, net of intersegment revenue, totalled $52.2 million in Fiscal 2018, compared to $25.9 million in Fiscal 2017, an increase of $26.3 million, or 101.4%. International revenue growth was mainly attributable to increased specialized drilling activity in Chile due to the continued expansion of OG Chile. International includes $41.6 million in revenues from Chile, compared to $20.1 million in Fiscal 2017. The remaining increase in International revenue was primarily due to new projects in Burkina Faso.

Gross Profit and Margins (see Reconciliation of non-IFRS measures)

Gross profit for Fiscal 2018 was $21.5 million, compared to $8.0 million in Fiscal 2017. Gross margin was 12.4% compared to 6.4% in Fiscal 2017. Depreciation expenses totalling $7.9 million are included in cost of contract revenue for Fiscal 2018, compared to $8.7 million in Fiscal 2017. Adjusted gross margin, excluding depreciation expenses, was 17.0% in Fiscal 2018, compared to 13.4% in Fiscal 2017. The increase in gross profit, gross margin and adjusted gross margin was primarily attributable to higher drilling volume in both Canada and International, increased specialized drilling activity in Chile, and higher pricing on certain contracts in Canada.

General and Administrative Expenses

General and administrative (G&A) expenses were $15.8 million (representing 9.1% of revenue) in Fiscal 2018, compared to $14.7 million (representing 11.8% of revenue) in Fiscal 2017 reflecting the Company's growth in Canada and internationally.

Operating Results

Earnings from operations for Fiscal 2018 were $9.4 million, compared to a loss from operations of $3.9 million in Fiscal 2017.

Drilling Canada's operating earnings totalled $6.3 million, compared to operating earnings of $0.6 million in Fiscal 2017, primarily attributable to higher drilling volume, and higher pricing on certain contracts.

Drilling International's operating earnings totalled $3.1 million, compared to an operating loss of $4.5 million in Fiscal 2017. The positive variance, as discussed above, was primarily attributable to higher drilling volume and increased specialized drilling activity in Chile.

Foreign Exchange (Loss) Gain

Foreign exchange gain was $0.3 million in Fiscal 2018, compared to a foreign exchange loss of $0.2 million in Fiscal 2017.

EBITDA (see Reconciliation of non-IFRS measures)

Earnings before interest, taxes, depreciation and amortization ("EBITDA") totalled $14.7 million in Fiscal 2018, compared to $2.7 million in Fiscal 2017.

Financial Expenses

Interest costs related to long-term debt and bank charges were $1.7 million in Fiscal 2018, compared to $1.0 million in Fiscal 2017.

Income Tax Recovery

Income tax recovery was $0.3 million for Fiscal 2018, compared to income tax recovery of $2.0 million in Fiscal 2017. The effective tax rate for the year was positively impacted mainly by the use of unrecognized tax losses for O G Chile during the year.

Net Earnings (Loss)

The Company's net earnings for Fiscal 2018 were $4.5 million, or $0.12 per share, compared to a net loss of $5.9 million, or $0.17 per share, in Fiscal 2017. Higher gross profit and margins, as discussed above, contributed to the Company's net earnings for Fiscal 2018.

SUMMARY ANALYSIS OF FISCAL 2017 COMPARED TO FISCAL 2016

Revenue for Fiscal 2017 was $125.2 million compared to $107.5 million for the fiscal year ended June 30, 2016 ("Fiscal 2016"), representing an increase of $17.7 million, or 16.4%, attributable to an increase in metres drilled in Canada and internationally.

Gross profit for Fiscal 2017 was $8.0 million, compared to $10.2 million in Fiscal 2016. Gross margin for Fiscal 2017 was 6.4% compared to 9.5% in Fiscal 2016. Adjusted gross margin, excluding depreciation expenses, was 13.4% in Fiscal 2017, compared to 18.1% in Fiscal 2016. The decrease in gross profit, gross margin and adjusted gross margin was primarily attributable to lower productivity and increased employee training and project mobilization costs in Canada, as the Company ramps up its operations to meet increased demand, partially offset by the Company's significant increase in gross profit from International drilling activities.

Net loss in Fiscal 2017 totalled $5.9 million or $0.17 per share, compared to a net loss of $0.2 million or $0.01 per share in Fiscal 2016. The Company's net loss for Fiscal 2016 includes a $5.0 million one-time gain related to negative goodwill and $0.8 million of acquisition and integration costs both related to the acquisition of OG Chile. Excluding these items, the Company's net loss for Fiscal 2016 would have been $4.7 million or $0.13 per share.

OVERALL PERFORMANCE

SUMMARY OF QUARTERLY RESULTS

* ($millions)		Fiscal 2018				Fiscal 2017			
		June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30
Contract revenue *		**44.5**	43.1	43.0	42.5	**37.4**	29.9	27.4	30.5
Gross profit (1)*		**7.5**	2.2	5.1	6.7	**2.4**	1.2	1.5	2.9
Gross margin %		**16.8**	5.2	11.7	15.9	**6.6**	3.9	5.5	9.4
Net earnings (loss) *		**3.3**	(1.3)	0.8	1.7	**(1.6)**	(2.2)	(1.9)	(0.2)
Net earnings (loss) per common share ($)	- Basic	**0.09**	(0.04)	0.02	0.05	**(0.05)**	(0.06)	(0.05)	(0.01)
	- Diluted	**0.09**	(0.04)	0.02	0.05	**(0.05)**	(0.06)	(0.05)	(0.01)

(1) Includes amortization and depreciation expenses related to operations.

SEASONALITY

The Company's revenue reflects certain seasonal factors. In underground drilling operations, scheduled mine shutdowns over holiday and summer periods at some locations reduce revenue during these periods. In domestic and international surface drilling operations, weather conditions in the spring and fall seasons often cause drilling programs to pause, or to be planned around seasonal fluctuations.

ANALYSIS OF THE FOURTH QUARTER OF FISCAL 2018 COMPARED TO THE FOURTH QUARTER OF FISCAL 2017

Contract Revenue

Revenue for the three-month period ended June 30, 2018 ("Q4 FY2018") totalled $44.5 million, an increase of $7.1 million, or 18.9%, from $37.4 million for the quarter ended June 30, 2017 ("Q4 FY2017"). Revenue growth was attributable to increased international drilling activity.

Canada revenue totalled $30.4 million in Q4 FY2018, in line with Q4 FY2017.

International revenue, net of intersegment revenue, increased to $14.1 million in Q4 FY2018, an increase of $7.2 million compared to $6.9 million in Q4 FY2017. International includes $11.4 million in revenue from Chile compared to $5.7 million in Q4 FY2017. The remaining increase in international revenue was primarily due to new projects in Burkina Faso, Ghana and Guyana.

Gross Profit and Margins (see Reconciliation of non-IFRS measures)

Gross profit for Q4 FY2018 was $7.5 million, an increase of $5.1 million from $2.4 million in Q4 FY2017. Gross margin for Q4 FY2018 was 16.8% compared to 6.6% in Q4 FY2017. Depreciation expenses totalling $2.0 million are included in cost of contract revenue for Q4 FY2018, in line with Q4 FY2017. Adjusted gross margin, excluding depreciation expenses, was 21.2% in Q4 FY2018, compared to adjusted gross margin of 11.8% in Q4 FY2017. The increase in gross profit, gross margin and adjusted gross margin was primarily attributable to higher drilling volume in Chile, Burkina Faso and Ghana, including increased specialized drilling activity.

General and Administrative Expenses

G&A expenses were $3.8 million (representing 8.6% of revenue) in Q4 FY2018, compared to $3.6 million (representing 9.7% of revenue) in Q4 FY2017.

Operating Results

Earnings from operations for Q4 FY2018 were $4.4 million, compared to operating loss of $0.2 million in Q4 FY2017.

Drilling Canada's operating earnings totalled $1.8 million, compared to operating earnings of $1.3 million in Q4 FY2017, reflecting an increase in average revenue per metre drilled.

Drilling International's operating earnings totalled $2.6 million, compared to an operating loss of $1.5 million in Q4 FY2017. The positive variance was primarily attributable to higher drilling volume and increased specialized drilling activity.

Foreign Exchange (Gain) Loss

Foreign exchange loss was $0.3 million in Q4 FY2018, in line with Q4 FY2017.

EBITDA (see Reconciliation of non-IFRS measures)

EBITDA was $5.5 million in Q4 FY2018, compared to $0.7 million in Q4 FY2017, an increase of $4.8 million.

Financial Expenses

Interest costs related to long-term debt and bank charges were $0.4 million in Q4 FY2018, compared to $0.3 million in Q4 FY2017.

Income Tax Recovery

Income tax recovery was $0.2 million in Q4 FY2018, compared to an income tax recovery of $0.2 million in Q4 FY2017. The tax recovery for the quarter was positively impacted mainly by the use of unrecognized tax losses for OG Chile during the quarter.

Net Earnings (Loss)

Net earnings for Q4 FY2018 were $3.3 million, or $0.09 per share, compared to net loss of $1.6 million, or $0.05 per share, in Q4 FY2017. Higher gross profit and margins, as discussed above, contributed to the Company's net earnings for Q4 FY2018.

EFFECT OF EXCHANGE RATE

The Company realizes a part of its activities in US dollars, ("US") in Chilean Pesos ("CLP"), in Ghanaian cedi ("GHS") and in West African Francs ("XOF") and is thus exposed to foreign exchange fluctuations. The Company does not actively manage this risk. As at June 30, 2018, the Company had cash in US dollars for an amount of US$0.5 million (June 30, 2017, US$1.0 million) and accounts receivable in US dollars for an amount of US$1.3 million (June 30, 2017, US$0.6 million). The Company had cash in Chilean Pesos for an amount of CLP$832,879,752 (June 30, 2017, CLP$207,424,327) and accounts receivable in Chilean Pesos for an amount of CLP$2,907,515,452 (June 30, 2017, CLP$1,471,946,677). The Company had cash in GHS for an amount of GHS 625,294 (June 30, 2017, GHS26,065) and accounts receivable in GHS for an amount of GHS4,549,573 (June 30, 2017, GHS1,561,986). The Company had cash in West African Francs XOF for an amount of XOF137,871,643 (June 30, 2017, XOF12,751,223) and accounts receivable in West African Francs XOF for an amount of XOF608,226,530 (June 30, 2017, nil)

As at June 30, 2018, 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 earnings (loss) and comprehensive earnings (loss) of $0.2 million (June 30, 2017, $0.1 million), a 10% increase or decrease of the Chilean Pesos exchange rate would have caused a corresponding annual increase or decrease in net earnings (loss) and comprehensive earnings (loss) of $0.2 million (June 30, 2017, $0.2 million), a 10% increase or decrease of the GHS exchange rate would have caused a corresponding annual increase or decrease in net earnings (loss) and comprehensive earnings (loss) of $0.1 million (June 30, 2017, nil) and a 10% increase or decrease of the XOF exchange rate would have caused a significant corresponding annual increase or decrease in net earnings (loss) and comprehensive income of $0.1 million (June 30, 2017, nil)

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Cash flow from operations (before changes in non-cash operating working capital items, finance costs and income taxes paid), was $14.8 million in Fiscal 2018, compared to $2.5 million in Fiscal 2017.

The change in non-cash operating working capital items was an outflow of $3.9 million, compared to an outflow of $3.2 million in Fiscal 2017.The change in non-cash operating working capital in Fiscal 2018 was primarily attributable to:

- $8.5 million related to an increase in accounts receivable and prepaid expenses, and
- $0.7 million related to an increase in inventory to support level of operation, partially offset by
- $5.3 million related to an increase in accounts payable

Investing Activities

Cash used in investing activities totalled $8.2 million in Fiscal 2018, compared to $6.2 million in Fiscal 2017. During Fiscal 2018, $8.6 million was used for the acquisition of property, plant and equipment, partially offset by a cash inflow of $0.5 million on disposal of investments, property, plant and equipment. In Fiscal 2017, $7.8 million was used for the acquisition of property, plant and equipment, partially offset by a cash inflow of $1.6 million on disposal of investments, property, plant and equipment.

Financing Activities

During Fiscal 2018, the Company generated $3.2 million from financing activities, compared to $7.0 million in Fiscal 2017.

Orbit Garant's primary sources of liquidity are cash flow from operations and borrowings under a credit facility with National Bank of Canada Inc. ("**National Bank**"). On November 2, 2017, the Company and National Bank entered into a new three-year credit facility (the "**Credit Facility**") consisting of a $30 million revolving credit facility, a US$3 million letter of credit facility and a US$3 million revolving credit facility.

The Company withdrew a net amount of $4.5 million during Fiscal 2018 on its Credit Facility, compared to a withdrawal of $7.6 million in Fiscal 2017. The Company's long-term debt under the Credit Facility, including current portion, was $18.1 million as at June 30, 2018, compared to $13.6 million as at June 30, 2017. The Company's debt was incurred to support working capital requirements and the acquisition of capital assets, principally property, plant and equipment.

The Company made finance lease payments (net of proceeds from finance lease) of $0.7 million, compared to $1.0 million in Q4 FY2017.

OG Chile enters into receivable purchase agreements (commonly referred to as "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 of between 0.46% and 0.52%. As at June 30, 2018, no trade receivables are related to factored accounts, compared to $0.7 million as at June 30, 2017.

As at June 30, 2018, the Company's working capital was $53.3 million, compared to $30.8 million as at June 30, 2017. The increase in working capital resulted mainly from the reclassification of the outstanding amount under the Credit Facility from current to non-current liabilities as a new Credit Facility was signed on November 2, 2017. The Company's working capital requirements are primarily related to the funding of inventory and the financing of accounts receivable.

The Company believes that it will be able to generate sufficient cash flow to meet its current and future working capital expenditures and debt obligations. The Company's principal capital expenditures are related to the acquisition of drill rigs and property, plant and equipment.

Sources of Financing

Orbit Garant's primary sources of liquidity are cash flow from operations and borrowings under its Credit Facility. As at June 30, 2018, the Company had drawn $18.1 million ($13.6 million as at June 30, 2017) under the Credit Facility and complied with all covenants in the Credit Facility.

Availability under the main revolving facility under the Credit Facility is subject to a borrowing base that is determined by the value of the Company's inventory, accounts receivable and real estate. All of Orbit Garant's assets are pledged as security for the Company's obligations under the Credit Facility. In addition, the Company's obligations under the US$3 million letter of credit facility and US$3 million revolving credit facility are guaranteed by Export Development Canada.

The Credit Facility contains covenants that limit the Company's ability to undertake certain actions without prior approval of the Lender, including: i) mergers, liquidations, dissolutions and changes of ownership; ii) the incurrence of additional indebtedness; iii) encumbering the Company's assets; iv) guarantees, loans, investments and acquisitions that may be made by the Company; v) investing in or entering into derivative instruments, paying dividends and/or making other capital distributions to related parties; vi) capital expenditures exceeding mutually agreed upon limits; and vii) certain asset sales. The Credit Facility also contains a number of financial covenants that the Company must comply with if more than $12.5 million is drawn under the Credit Facility. In addition, the Credit Facility will mature no later than November 2, 2020.

The Company believes that it will be able to generate sufficient cash flow to meet its current and future working capital expenditures and debt obligations. The Company's principal capital expenditures are related to the acquisition of drill rigs and other assets included in property, plant and equipment.

As at June 30, 2018, the Company complied with all covenants in the Credit Facility.

As at June 30, 2018 the Company had future contractual obligations as follows:

*($thousands)	Total	Less than 1 year	2-3 years	4-5 years
Long-term debt *	19,945	625	19,320	-
Operating leases *	271	187	84	-
Total *	20,216	812	19,404	-

OUTSTANDING SECURITIES AS AT SEPTEMBER 12, 2018

Number of common shares	36,147,119
Number of options	2,496,500
Fully diluted	38,643,619

On December 5, 2017, the Company issued 490,000 stock options at an exercise price of $2.10. During Fiscal 2018, 52,200 stock options were exercised and 277,800 stock options were cancelled.

RELATED PARTY TRANSACTIONS

Transactions with related parties

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

On February 28, 2017, the Company granted a loan maturing no later than February 28, 2019 for the amount of $1.2 million to the President and Chief Executive Officer in connection with the exercise of his option to purchase 942,000 shares of Orbit Garant Drilling Inc. The loan bears interest at a rate of 4% annually and is secured by a pledge of shares and guarantee from 6705570 Canada Inc. On December 15, 2017, the President and Chief Executive Officer repaid an amount of $0.6 million, reducing the balance of the loan to $0.7 million, ($1.3 million as at June 30, 2018).

The Company entered into the following transactions with its related company and with persons related to directors:

*($thousands)	12 months ended June 30, 2018	12 months ended June 30, 2017
Revenue*	**283**	**102**
Expenses*	**131**	**167**

As at June 30, 2018, an amount of $0.8 million was a receivable resulting from these transactions ($1.3 million as at June 30, 2017).

All of these related party transactions made in the normal course of business measured at the exchange amount, which is the amount established and agreed to by the parties.

Key management personnel and directors' transactions

The definition of key management includes the close members of the family of key personnel and any entity over which key management exercises control. The key management personnel have been identified as directors of the Company and key management staff. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with the Company.

Compensation paid to key management personnel and directors are as follows:

*($thousands)	12 months ended June 30, 2018	12 months ended June 30, 2017
Salaries and fees *	**1,734**	**1,433**
Share-based compensation*	**236**	**204**
TOTAL*	**1,970**	**1,637**

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The significant accounting policies are described in note 3 of the Fiscal 2018 audited consolidated financial statements. The preparation of financial statements in accordance with IFRS requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and contingent liabilities on the reporting date, and amounts of revenues and expenses for the relevant period. Although management regularly reviews its estimates, actual results may differ. The impact of changes to accounting estimates is recognized in the period during which the change occurs, and in the affected future periods, when applicable. Areas in which the estimates and assumptions are significant, or which are complex, are presented as follows:

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 non-financial assets

The Company also uses its judgement to determine whether an impairment test must be performed due to the presence of potential impairment indicators. In applying its judgement, the Company relies primarily on its knowledge of its business and the economic environment. As at June 30, 2018, the Company concluded that there were no impairment indicators and did not perform an impairment test (see Notes 10 in the Company's consolidated financial statements).

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.

STANDARDS AND INTERPRETATIONS ADOPTED

The following standards and amendments to existing standards have been adopted by the Company on July 1, 2017:

- IAS 7 – Statement of cash flows, and
- Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)

RECENT ACCOUNTING PRONOUNCEMENTS

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

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

- IFRIC Interpretation 22 – Foreign Currency Transaction and Advance Consideration
- IFRIC 23 – Uncertainty over Income Tax Treatments

The Company does not expect IFRS 9, IFRS 15, Amendments to IFRS 2 and IFRIC Interpretation 22 to have a material impact its consolidated financial statements and is currently evaluating the impact of the adoption of IFRS 16 and IFRIC 23.

RECONCILIATION OF NON - IFRS FINANCIAL MEASURES

Financial data has been prepared in conformity with IFRS. However, certain measures used in this discussion and analysis do not have any standardized meaning under IFRS and could be calculated differently by other companies. The Company believes that certain non-IFRS financial measures, when presented in conjunction with comparable IFRS financial measures, are useful to investors and other readers because the information is an appropriate measure to evaluate the Company's operating performance. Internally, the Company uses this non-IFRS financial information as an indicator of business performance. These measures are provided for information purposes, in addition to, and not as a substitute for, measures of financial performance prepared in accordance with IFRS.

EBITDA: Net earnings (loss) before interest, taxes, depreciation and amortization.

Adjusted gross profit and margin: Contract revenue less operating costs. Operating expenses comprise material and service expenses, personnel expenses, other operating expenses, excluding depreciation.

EBITDA

Management believes that EBITDA is an important measure when analyzing its operating profitability, as it removes the impact of financing costs, certain non-cash items and income taxes. As a result, Management considers it a useful and comparable benchmark for evaluating the Company's performance, as companies rarely have the same capital and financing structure.

Reconciliation of EBITDA

(unaudited) (in millions of dollars)	3 months ended June 30, 2018	3 months ended June 30, 2017	12 months ended June 30, 2018	12 months ended June 30, 2017	12 months ended June 30, 2016
Net earnings (loss) for the period	**3.3**	(1.6)	**4.5**	(5.9)	(0.2)
Add:					
Finance costs	**0.4**	0.3	**1.7**	1.0	0.7
Income tax expense (recovery)	**(0.2)**	(0.2)	**(0.3)**	(2.0)	(0.2)
Depreciation and amortization	**2.0**	2.2	**8.8**	9.6	10.8
EBITDA	**5.5**	0.7	**14.7**	2.7	11.1

Adjusted Gross Margin

Although adjusted gross margin and margin are not recognized financial measures defined by IFRS, Management considers them to be important measures as they represent the Company's core profitability, without the impact of depreciation expense. As a result, Management believes they provide a useful and comparable benchmark for evaluating the Company's performance.

(unaudited) (in millions of dollars)	3 months ended June 30, 2018	3 months ended June 30, 2017	12 months ended June 30, 2018	12 months ended June 30, 2017	12 months ended June 30, 2016
Contract revenue	**44.5**	37.4	**173.1**	125.2	107.5
Cost of contract revenue (including depreciation)	**37.1**	34.9	**151.6**	117.1	97.3
Less depreciation	**(2.0)**	(1.9)	**(7.9)**	(8.7)	(9.3)
Direct costs	**35.1**	33.0	**143.7**	108.4	88.0
Adjusted gross profit	**9.4**	4.4	**29.4**	16.8	19.5
Adjusted gross margin (%) (1)	**21.2**	11.8	**17.0**	13.4	18.1

(1) Adjusted gross profit, divided by contract revenue X 100

RISK FACTORS

The following are certain factors relating to the Company's business and the industry within which it operates. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and should be read in conjunction with, the detailed information appearing elsewhere in this report and in the Company's Annual Information Form dated September 12, 2018. These risks and uncertainties are not the only ones relevant to the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems immaterial, may also impair the operations of the Company. If any such risks actually occur, the business, financial condition, liquidity and results of operations of the Company could be affected materially and adversely.

Risk Related to Structure to the Business and Industry

Cyclical Downturns

Demand for drilling services and products depends significantly on the level of mineral exploration and development activities conducted by mining companies, which in turn, are driven significantly by commodity prices. There is a continued risk that low commodity prices could substantially reduce future exploration and drilling expenditures by mining companies, which in turn, could result in a decline in the demand for the drilling services offered by the Company and would materially impact the Company's revenue, financial condition, cash flows and growth prospects.

Sensitivity to General Economic Conditions

The operating and financial performance of Orbit Garant is influenced by a variety of international and country-specific general economic and business conditions (including inflation, interest rates and exchange rates), access to debt and capital markets, as well as, monetary and regulatory policies. Deterioration in domestic or international general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could have a material adverse effect on the financial performance and condition, cash flows and growth prospects of the Company.

Reliance on and Retention of Employees

In addition to the availability of capital for equipment, a key limiting factor in the growth of drilling services companies is the supply of qualified drillers, on whom the Company relies upon to operate its drills. As such, the ability to attract, train and retain high quality drillers is a high priority for all drilling services providers. A failure by the Company to retain qualified drillers or attract and train new qualified drillers could have a material adverse effect on the Company's financial performance, financial condition, cash flows and growth prospects. In addition, rising rates paid to drillers and helpers will exert pressure on the Company's profit margins if it is unable to pass on such higher costs to its customers through price increases.

Increased Cost of Sourcing Consumables

When bidding on an underground drilling contract, the cost of sourcing consumables is a key consideration in deciding upon the pricing. Underground drilling contracts are typically for one to two years and expose the Company to an increase in the cost of consumables and labor during that period. A material increase in the cost of labor or consumables during that period could result in materially higher costs and could materially reduce the Company's financial performance, financial condition, cash flows and growth prospects.

Country Risks

The Company does business internationally in numerous regions of different countries and with this comes the risk of dealing with business and political systems in a variety of jurisdictions. Unanticipated events in a country (precipitated by developments within or external to the country), such as economic, political, tax related, regulatory or legal changes (or changes in interpretation), could, directly or indirectly, have a material negative impact on operations and assets. The risks include, but are not limited to, military repression, extreme fluctuations in currency exchange rates, high rates of inflation, changes in mining or investment policies, nationalization/expropriation of projects or assets, corruption, delays in obtaining or inability to obtain necessary permits, nullification of existing mining claims or interests therein, hostage takings, labour unrest, opposition to mining form environmental or other non-governmental organisations or shifts in political attitude that may adversely affect the business. There has been an emergence of a trend by governments to increase their participation in the industry and thereby their revenues through increased taxation, expropriation, or otherwise. This could negatively impact the level of foreign investment in mining and exploration activities and thus drilling demand in these regions. Such events could result in reductions in revenue and additional transition costs as equipment is shifted to other locations. Nationalization/expropriation of mining projects has a direct impact on suppliers (such as the Company) to the mining industry.

While the Company works to mitigate its exposure to potential country risk events, the impact of any such event is mostly not under the Company's control, is highly uncertain and unpredictable and will be based on specific facts and circumstances. As a result, the Company can give no assurance that it will not be subject to any country risk event, directly or indirectly, in the jurisdictions in which it operates.

Leverage and Restrictive Covenants

Orbit Garant entered into the Credit Agreement in order to provide it with credit facilities to fund, among other things, working capital and acquisitions. The degree to which Orbit Garant is leveraged could have important consequences, including: i) Orbit Garant's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; ii) a significant portion of Orbit Garant's cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations; and iii) certain of Orbit Garant's borrowings (including borrowings under the Credit Agreement) will be at variable rates of interests, which exposes Orbit Garant to the risk of increased interest rates which may have an adverse effect on Orbit Garant's financial condition.

The Credit Agreement contains numerous restrictive covenants that limit the discretion of Orbit Garant's Management with respect to certain business matters. These covenants place significant restrictions on, among other things, changes in ownership and the ability of Orbit Garant to create liens or other encumbrances, to pay dividends or make certain other payments, investments, acquisitions, capital expenditures, loans and guarantees and to sell or otherwise dispose of assets and merge with another entity. In addition, the Credit Agreement contains financial covenants that require Orbit Garant to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in the Credit Agreement could result in a default that, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the Credit Agreement were to be accelerated, there can be no assurance that the assets of Orbit Garant would be sufficient to repay in full that indebtedness. In addition, the Credit Agreement will mature no later than November 2, 2020. There can be no assurance that future borrowings or equity financing will be available to Orbit Garant or available on acceptable terms, in an amount sufficient to repay the Credit Agreement at maturity or to fund Orbit Garant's needs thereafter. This could have a material adverse effect on the business, financial condition and results of operations of Orbit Garant.

Access of Customers to Equity Markets

Economic factors may make it more difficult for mining companies, particularly junior mining companies, to raise money to fund exploration activity. This difficulty would have an adverse impact on the demand for drilling services and could have a material adverse effect on the financial performance, financial condition, cash flows and growth prospects of the Company.

Acquisitions

The Company is continuously seeking business acquisitions. It may be exposed to business risks or liabilities for which it may not be fully indemnified or insured. The ongoing integration of existing and new computer systems, equipment and personnel may impact the success of the acquisitions. Any issues arising from the integration of the acquired businesses, including the integration of the accounting software, may require significant management, financial or personnel resources that would otherwise be available for ongoing development and expansion of the Company's existing operations. If this happens, it may have a material adverse effect on the financial performance, financial condition, cash flows and growth prospects of the Company.

Supply of Consumables

If the Company should grow, it could put pressure on its ability to manufacture or otherwise obtain new drills and consumables required to conduct the Company's drilling operations. This could constrain the Company's ability to increase its capacity and increase or maintain revenue and profitability.

Competition

The Company faces competition from several large drilling services companies and many smaller, regional competitors. Some of the Company's competitors have been in the drilling services industry for a longer period and have substantially greater financial and other resources than the Company has. Increased competition in the drilling services market may adversely affect the Company's current market share, profitability and growth opportunities. The capital cost to acquire drilling rigs is relatively low, enabling competitors to finance expansion and providing opportunity for new competitors to enter the market. This dynamic exposes the Company to the risk of reduced market share and scope for geographic growth, as well as lower revenue and margin for its existing business.

A significant portion of the drilling services business is a result of being awarded contracts through a competitive tender process. It is possible that the Company will lose potential new contracts to competitors if it is unable to demonstrate reliable performance, technical competence and competitive pricing as part of the tender process or if mining companies elect not to undertake a competitive tender process.

Ability to Sustain and Manage Growth

The Company's ability to grow will depend on a number of factors, many of which are beyond the Company's control, including, but not limited to, commodity prices, the ability of mining companies to raise financing and the demand for raw materials from large, emerging economies such as the Brazil, Russia, India and China ("BRIC") economies. In addition, the Company is subject to a variety of business risks generally associated with growing companies. Future growth and expansion could place significant strain on the Company's Management personnel and likely will require the Company to recruit additional management personnel.

There can be no assurance that the Company will be able to: i) manage its expanding operations (including any acquisitions) effectively; ii) sustain or accelerate its growth or that such growth, if achieved, will result in profitable operations; iii) attract and retain sufficient management personnel necessary for continued growth; or, iv) successfully make strategic investments or acquisitions. The failure to accomplish any of the foregoing could have a material adverse effect on the Company's financial performance, financial condition, cash flows and growth prospects.

Future Acquisition Strategy

The Company intends to grow through acquisitions in addition to organic growth. There is considerable competition within the drilling services industry for attractive acquisition targets. It is not possible to ensure that future acquisition opportunities will exist on acceptable terms, or that newly acquired or developed entities will be successfully integrated into the Company's operations. Additionally, the Company cannot give assurances that it will be able to secure the adequate financing on acceptable terms to pursue this strategy.

Customer Contracts

The Company's surface drilling customer contracts are typically for a term of six (6) to twelve (12) months and its underground drilling customer contracts are typically for a term of one to two years and can be cancelled by the customer on short notice in prescribed circumstances with limited or no amounts payable to the Company. There is a risk that existing contracts may not be renewed or replaced. The failure to renew or replace some or all of these existing contracts and cancellation of existing contracts could have a material adverse effect on the Company's financial performance, financial condition, cash flows and growth prospects. In addition, consolidation by the Company's customers could materially and adversely affect the Company's results of operations and financial condition.

International Expansion and Instability

Expansion internationally entails additional political and economic risk. Some of the countries and areas targeted by the Company for expansion are undergoing industrialization and urbanization and do not have the economic, political or social stability that many developed nations now possess. Other countries have experienced political or economic instability in the past and may be subject to risks beyond the Company's control, such as war or civil disturbances, political, social and economic instability, corruption, nationalization, terrorism, expropriation without fair compensation or cancellation of contract rights, significant changes in government policies, breakdown of the rule of law and regulations and new tariffs, taxes and other barriers. There is a risk that the Company's operations, assets, employees or repatriation of revenue could be impaired or adversely affected by factors related to the Company's international expansion and have a material adverse effect on the financial performance, financial condition, cash flow and growth prospects of the Company.

Operational Risks and Liability

Risks associated with drilling include, in the case of employees, personal injury and loss of life and, in the case of the Company, damage and destruction to property, equipment, release of hazardous substances to the environment and interruption or suspension of drill site operation due to unsafe drill operations. The occurrence of any of these events may have an adverse effect on the Company, including financial loss, key personnel loss, legal proceedings and damage to the Company's reputation.

In addition, poor or failed internal processes, people or systems, along with external events could negatively impact the Company's operational and financial performance. The risk of this loss, known as operational risk, is present in all aspects of the business of the Company, including, but not limited to, business disruptions, technology failures, theft and fraud, damage to assets, employee safety, regulatory compliance issues or business integration issues. The number and significance of the changes and the possibility that the Company may not be able to successfully implement the changes made, may adversely affect the performance of the business and its financial condition, cash flows and growth prospects of the Company.

Currency Exposure

Orbit Garant conducts some of its activities in US dollars, in Chilean Pesos, in GHS and in XOF and is thus exposed to foreign exchange fluctuations. As at June 30, 2018, we had US dollars, in Chilean Pesos, in GHS and in XOF revenue exposures of approximately \$3.8, \$41.6, \$3.0 and \$3.7 million respectively in Canadian dollars. This exposure could change in the future and a significant portion of our revenue could potentially be denominated in currencies other than the Canadian dollar, fluctuations of which could cause a negative impact on our financial performance.

Business Interruptions

Business interruptions can occur as a result of a variety of factors, including; regulatory intervention, delays in necessary approvals and permits, health and safety issues or product input supply bottlenecks. In addition, the Company operates in a variety of geographic locations, some of which are prone to inclement weather conditions, natural or other disasters. The occurrence of such conditions or any business interruption could have a material adverse effect on the Company's financial performance, financial condition, cash flows and growth prospects.

Risk to the Company's Reputation

Risks to the Company's reputation could include any negative publicity, whether true or not, and could cause a decline in the Company's customer base and have a material adverse impact on the Company's financial performance, financial condition, cash flows and growth prospects. All risks have an impact on reputation, and as such, reputational risk cannot be managed in isolation from other types of risk. Every employee and representative of the Company is charged with upholding its strong reputation by complying with all applicable policies, legislation and regulations as well as creating positive experiences with the Company's customers, stakeholders and the public.

Corruption, Bribery and Fraud

The Company is required to comply with the Canadian Corruption of Foreign Public Officials Act ("CFPOA") as well as similar applicable laws in other jurisdictions, which prohibit companies from engaging in bribery or other prohibited payments or gifts to foreign public officials for the purpose of retaining or obtaining business. The Company's policies mandate compliance with these laws. However, there can be no assurance that the policies and procedures and other safeguards that the Company has implemented in relation to its compliance with these laws will be effective or that Company employees, agents, suppliers or other industry partners have not engaged or will not engage in such illegal conduct for which the Company may be held responsible. Violations of these laws could disrupt the Company's business and result in a material adverse effect on its business and operations.

Environment, Health and Safety Requirements and Related Considerations

The Company's operations are subject to a broad range of federal, provincial, state and local laws and regulations as well as permits and other approvals, including those relating to the protection of the environment and workers' health and safety governing, among other things, air emissions, water discharges, non-hazardous and hazardous waste (including waste water), storage, handling, disposal and clean-up of dangerous goods and hazardous materials such as chemicals, remediation of releases and workers' health and safety in Canada and elsewhere (the ''Environment, Health and Safety Requirements''). As a result of the Company's operations, it may be involved from time to time in administrative and judicial proceedings and inquiries relating to Environment, Health and Safety Requirements. Future proceedings or inquiries could have a material adverse effect on the Company's business, financial condition and results of operations.

The activities at clients' worksites may involve operating hazards that can result in personal injury and loss of life. There can be no assurance that the Company's insurance will be sufficient or effective under all circumstances or against all claims or hazards to which it may be subject or that it will be able to continue to obtain adequate insurance protection. A successful claim or damage resulting from a hazard for which it is not fully insured could adversely affect the Company's results of operations. In addition, if the Company is seen not to adequately implement health and safety and environmental policies, its relationships with its customers may deteriorate, which may result in the loss of contracts and restrict its ability to obtain new contracts.

Insurance Limits

The Company maintains property, general liability and business interruption insurance. However, there can be no assurance that such insurance will continue to be offered on an economically feasible basis, that all events that could give rise to a loss or liability are insurable, or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of the Company.

Legislative and Regulatory Changes

Changes to any of the laws, rules, regulations or policies affecting the business of the Company would have an impact on the Company's business and may significantly and adversely affect the operations and financial performance of the Company.

Legal and Regulatory Risk

The mining and drilling industries are highly regulated by legal, environmental and health and safety regulations. Failure to comply with such regulations could lead to penalties, including fines or suspension of operations which could have a significant impact on the financial strength and future earnings potential of the Company. Furthermore, the Company's mineral exploration customers are also subject to similar legal, regulatory, health and safety regulations which could materially affect their decision to go ahead with mineral exploration or mine development and thereby indirectly negatively impact the Company.

Cyber-Security Risk

While information systems are integral to supporting the Company's business, due to the nature of the Company's services, it is not considered to be subject to the same level of cyber security risks as companies operating in sectors where sensitive information is at the core of their business. Nevertheless, the Company is potentially exposed to risks ranging from internal human error to uncoordinated individual attempts to gain unauthorised access to its information technology systems, to sophisticated and targeted measures directed at the Company and its systems, clients or service providers. Any such disruptions in the Company's systems or the failure of the systems to operate as expected could, depending on the magnitude of the problem, result in the loss of client information, a loss of current or future business, reputational harm and/or potential claims against the Company, all of which could have an adverse effect on the Company's business, financial condition and operating results. The Company continues to enhance its efforts to mitigate these risks. It invests in technology security initiatives to better identify and address any vulnerability including periodic third party vulnerability assessments, testing user knowledge of cyber security best practices, and audits of security processes and procedures. In addition, the Company continues to increase the employees' awareness of security policies through ongoing communications.

Risk Related to Structure and Common Shares

Equity Market Risks

There is a risk associated with any investment in shares. The market price of securities such as the Common Shares of the Company are affected by numerous factors including, but not limited to, general market conditions, actual or anticipated fluctuations in the Company's results of operations, changes in estimates of future results of operations by the Company or securities analysts, risks identified in this section and other factors. In addition, the financial markets have experienced significant price and volume fluctuations that have sometimes been unrelated to the operating performance of the issuers or the industries in which they operate. Consequently, the trading price of the Common Shares may fluctuate.

Influence of Existing Shareholders

As of September 12, 2018, Pierre Alexandre, Vice Chairman and Vice President of Corporate Development of the Company, holds or controls, directly or indirectly, approximately 26% of Orbit Garant's outstanding Common Shares. As a result, this shareholder has the ability to influence Orbit Garant's strategic direction and policies, including any merger, consolidation or sale of all or substantially all of its assets, and the election and composition of Orbit Garant's Board of Directors. The foregoing ability to affect the control and direction of Orbit Garant could reduce its attractiveness as a target for potential takeover bids and business combinations, and correspondingly affect its share price.

Future Sales of Common Shares by the Company's Existing Shareholders

Certain shareholders, including Pierre Alexandre, hold or control significant blocks of shares of the Company. The decision of any of these shareholders to sell a substantial number of Common Shares in the public market could result in a material imbalance in demand for the Company's shares and therefore a decline in the market price of the Common Shares. In addition, the perception among the public that such sales may occur could also result in a reduction in the market price of the Common Shares.

Dilution

Orbit Garant may raise additional funds in the future by issuing equity securities. Holders of Common Shares will have no pre-emptive rights in connection with such further issuances. Additional Common Shares may be issued by Orbit Garant in connection with the exercise of options granted. Such additional equity issuances could, depending on the price at which such securities are issued, substantially dilute the interests of the holders of Common Shares.

Dividend Payments

Orbit Garant does not expect to pay dividends as it intends to use cash for future growth or debt repayment. In addition, the Credit Agreement places restrictions on the ability of Orbit Garant to declare or pay dividends.

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, 2018, the amount of the insurance coverage from EDC represents 6% of the accounts receivable (5% as at June 30, 2017).

As at June 30, 2018, 44% (58% as at June 30, 2017) of the trade accounts receivable are aged as current and 4% are impaired (5% as at June 30, 2017).

One major customer represents 20% of the trade accounts receivable as at June 30, 2018 (June 30, 2017, two major customers represented 25% of these accounts).

Two major customers represent 28% of the contract revenue for the year ended June 30, 2018 (year ended June 30, 2017, two major customers represented 29%).

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, 2018, the Company has estimated that a one percentage point increase or decrease in interest rates would have caused a corresponding annual increase or decrease in net loss of $0.1 million ($0.1 million impact in 2017).

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, trade and other receivable, trade and other 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.

The fair value of loan receivable approximates its carrying value as the interest rate was established based on market conditions and the interest rates on the market have not changed significantly since the loan was granted.

OUTLOOK

The improving conditions in the mining sector, which began in early 2016, and continued into the first half of 2018 are reflected by increased metals prices and mining company equity valuations compared to late 2015. Despite the decline in metals prices and financing activity to start the second half of 2018, the S&P/TSX Global Mining Index is currently approximately 68% higher than its low in January 2016, and the S&P/TSX Global Gold Index is approximately 30% higher than its low in September 2015. As noted earlier in this report, the general improvement in market conditions since early 2016 resulted in a greater number of mining companies raising capital during this period. Accordingly, a significant number of mining companies have improved their capital positions resulting in increased mineral exploration and mine development spending. Despite the recent declines in metals prices and mining equity valuations, the overall improvement in industry conditions since early 2016 has resulted in increased demand for drilling services. Drill utilization rates began to increase in late 2016 and have continued to improve since then. This has reduced the oversupply of mineral drilling services capacity in the market. Price increases for drilling services typically occur after a rebound in utilization rates and Orbit Garant is now seeing opportunities to increase pricing on new contracts. While Orbit Garant continues to monitor the recent decline in metals prices and mining equity valuations, Management is encouraged by the recent longer-term positive trends and believes that they could continue to have a favourable impact on operations going forward, as senior and intermediate mining companies look to replenish depleting reserves and junior exploration companies strive to identify, or further delineate, new mineral deposits.

An additional positive factor for mining companies operating in Canada is the current lower value of the Canadian dollar relative to the US dollar, as their expenses are typically in Canadian dollars and their revenues are denominated in US dollars. At the time of this report, the value of the Canadian dollar was approximately 0.77 US dollars.

Management is encouraged by the Company's increased business activity both in Canada and its international markets. Management remains focused on maximizing stakeholder value principally by controlling costs, optimizing drill rig utilization, increasing productivity rates, continuing to focus on technology innovation, retaining key personnel, maintaining strong health and safety standards, and evaluating opportunities to further expand Orbit Garant's market presence both in Canada and abroad. Orbit Garant has now established operating subsidiaries in Burkina Faso, Chile, Ghana, Guyana and Peru. In South America, Orbit Garant is currently working on projects in Chile and Guyana. In West Africa, the Company is currently working on projects in Burkina Faso and Ghana. The Company is actively pursuing new opportunities to grow its business in both regions.

Management believes the Company's proprietary computerized monitoring and control drilling technology will increasingly be an important contributor in reducing both labour and consumable drilling costs, enhancing driller productivity rates and improving safety. Orbit Garant currently has 34 drill rigs featuring its computerized monitoring and control technology, all of which are currently deployed on customer projects. These next generation drill rigs have achieved a significant increase in productivity compared to that achieved using conventional drill rigs. Orbit Garant's customers have responded positively to the improved performance and potential of the new drill rigs, which has led to renewals of underground drilling contracts for longer terms.

Orbit Garant will continue to monitor market conditions closely and manage its staff and inventory levels, capital expenditures and balance sheet accordingly. With its sound balance sheet, the Company remains committed to pursuing value-enhancing growth opportunities in Canada and internationally.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The CEO and the CFO of the Company are responsible for establishing and maintaining disclosure controls and procedures (DC&P) for the Company as defined under Multilateral Instrument 52-109 issued by the Canadian Securities Administrators. The CEO and the CFO have designed such DC&P, or caused them to be designed under its supervision, to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure.

As at June 30, 2018, the CEO and CFO evaluated the design and operation of the Company's DC&P. Based on that evaluation, the CEO and CFO concluded that the Company's DC&P was effective as at June 30, 2018.

The CEO and the CFO are responsible for designing internal controls over financial reporting ("ICFR") or causing them to be designed under their supervision. The Company's ICFR are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its preparation of financial statements for external purposes in accordance with IFRS.

As discussed above, the inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company, have been detected. Therefore, no matter how well designed, ICFR have inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

During Fiscal 2018, Management, including its CEO and CFO, evaluated the existence and design of the Company's ICFR and confirm there were no changes to the ICFR that have occurred during the year which materially affected, or are reasonably likely to materially affect, the Company's ICFR. The Company continues to review and document its disclosure controls and its ICFR, and may, from time to time make changes aimed at enhancing their effectiveness and to ensure that its systems evolve with the business. As of June 30, 2018, an evaluation was carried out, under the supervision of the CEO and CFO, of the effectiveness of the Company's ICFR as defined in NI 52-109. Based on this evaluation, the CEO and the CFO concluded that the design and operation of these ICFR were effective.

The evaluations were conducted in accordance with the framework and criteria established in Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), a recognized control model, and the requirements of NI 52-109.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying audited consolidated financial statements (the "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 consolidated 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 consolidated financial statements.

Management is 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, 2018. Based on this evaluation, Management has concluded that the Company's internal control over financial reporting as at June 30, 2018, 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 consolidated 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 consolidated financial statements are forwarded to the Board of Directors of the Company for its approval.

The consolidated financial statements have been audited by KPMG LLP, the independent auditors, on behalf of the shareholders, for the years ended June 30, 2018 and June 30, 2017, in accordance with Canadian generally accepted auditing standards. The independent auditors have 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, Québec
September 12, 2018

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Orbit Garant Drilling Inc.

We have audited the accompanying consolidated financial statements of Orbit Garant Drilling Inc. (the "entity"), which comprise the consolidated statements of financial position as at June 30, 2018 and 2017, the consolidated statements of earnings (loss), comprehensive earnings (loss), changes in equity and cash flows for the years then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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 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 consolidated financial position of Orbit Garant Drilling Inc. as at June 30, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP*

September 12, 2018

Montréal, Canada

*CPA auditor, CA, public accountancy permit No. A115894

ORBIT GARANT DRILLING INC.
Consolidated statements of earnings (loss)
For the years ended June 30, 2018 and 2017
(in thousands of Canadian dollars, except for data per share)

	Notes	June 30 2018	June 30 2017
		$	$
Contract revenue	20	173,084	125,178
Cost of contract revenue	7	151,603	117,135
Gross profit		21,481	8,043
Expenses			
General and administrative expenses		15,830	14,748
Foreign exchange (gain) loss		(292)	162
Finance costs		1,710	1,000
	7	17,248	15,910
Earnings (loss) before income taxes		4,233	(7,867)
Income tax expense (recovery)	14		
Current		(12)	712
Deferred		(239)	(2,705)
		(251)	(1,993)
Net earnings (loss)		4,484	(5,874)
Net earnings (loss) per share	13		
Basic		0.12	(0.17)
Diluted		0.12	(0.17)

See accompanying notes to consolidated financial statements.

ORBIT GARANT DRILLING INC.
Consolidated statements of comprehensive earnings (loss)
For the years ended June 30, 2018 and 2017
(in thousands of Canadian dollars)

	Notes	June 30 2018	June 30 2017
		$	$
Net earnings (loss)		4,484	(5,874)
Other comprehensive earnings (loss)			
Items that may be reclassified subsequently to net earnings (loss)			
Change in fair value on available-for-sale investments	9	(200)	265
Realized gain on available-for-sale investments reclassified to consolidated statement of earnings (loss)		(18)	(266)
Deferred income tax		29	1
		(189)	-
Cumulative translation adjustments		52	(146)
Other comprehensive loss, net of income tax		(137)	(146)
Comprehensive earnings (loss)		4,347	(6,020)

See accompanying notes to consolidated financial statements.

ORBIT GARANT DRILLING INC.
Consolidated statements of changes in equity
For the years ended June 30, 2018 and 2017
(in thousands of Canadian dollars)

Year ended June 30, 2018

	Share capital	Equity settled reserve	Retained Earnings	Accumulated other comprehensive earnings (loss)	Total Shareholders' Equity
	$	$	$	$	$
	(Note 13)	(Note 13)			
Balance as at July 1, 2017	57,130	1,178	15,907	49	74,264
Total comprehensive (earnings) loss					
Net earnings	-	-	4,484	-	4,484
Other comprehensive loss					
Change in fair value on available-for-sale investments, net of deferred income tax	-	-	-	(189)	(189)
Cumulative translation adjustments	-	-	-	52	52
Other comprehensive loss	-	-	-	(137)	(137)
Transactions with shareholders, recorded directly in equity					
Issuance of shares related to share-based compensation	77	(23)	-	-	54
Share-based compensation	-	271	-	-	271
Share options cancelled	-	(218)	218	-	-
Total transactions with shareholders	77	30	218	-	325
Balance as at June 30, 2018	57,207	1,208	20,609	(88)	78,936

Year ended June 30, 2017

	Share capital	Equity settled reserve	Retained Earnings	Accumulated other comprehensive earnings (loss)	Total Shareholders' Equity
	$	$	$	$	$
	(Note 13)	(Note 13)			
Balance as at July 1, 2016	55,688	1,468	21,720	195	79,071
Total comprehensive loss					
Net loss	-	-	(5,874)	-	(5,874)
Other comprehensive loss					
Change in fair value on available-for-sale investments, net of deferred income tax	-	-	-	-	-
Cumulative translation adjustments	-	-	-	(146)	(146)
Other comprehensive loss	-	-	-	(146)	(146)
Transactions with shareholders, recorded directly in equity					
Issuance of shares related to share-based compensation	1,442	(449)	-	-	993
Share-based compensation	-	220	-	-	220
Stock option cancelled	-	(61)	61	-	-
Total transactions with shareholders	1,442	(290)	61	-	1,213
Balance as at June 30, 2017	57,130	1,178	15,907	49	74,264

See accompanying notes to consolidated financial statements.

ORBIT GARANT DRILLING INC.
Consolidated statements of financial position
As of June 30, 2018 and June 30, 2017
(in thousands of Canadian dollars)

	Notes	June 30 2018	June 30 2017
		$	$
ASSETS			
Current assets			
Cash		4,633	1,601
Trade and other receivables	19	32,503	24,210
Inventories	8	39,419	38,725
Income taxes receivable		944	438
Prepaid expenses		884	758
		78,383	65,732
Non-current assets			
Loan receivable	17	662	1,254
Investments	9	542	682
Property, plant and equipment	10	39,741	40,014
Deferred tax assets	14	4,010	3,766
Total assets		123,338	111,448
LIABILITIES			
Current liabilities			
Trade and other payables		24,247	18,981
Factoring liabilities		-	705
Income taxes payable		-	380
Current portion of long-term debt and finance leases	11	812	14,903
		25,059	34,969
Non-current liabilities			
Long-term debt and finance leases	11	19,226	2,085
Deferred tax liabilities	14	117	130
		44,402	37,184
EQUITY			
Share capital	13	57,207	57,130
Equity-settled reserve	13	1,208	1,178
Retained earnings		20,609	15,907
Accumulated other comprehensive earnings (loss)		(88)	49
Equity attributable to shareholders		78,936	74,264
Total liabilities and equity		123,338	111,448

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, 2018 and 2017
(in thousands of Canadian dollars)

	Notes	June 30 2018	June 30 2017
		$	$
OPERATING ACTIVITIES			
Earnings (loss) before income taxes		4,233	(7,867)
Items not affecting cash			
Depreciation of property, plant and equipment	10	8,774	9,576
Gain on disposal of property, plant and equipment	10	(199)	(140)
Gain on disposal of investments	9	(18)	(266)
Share-based compensation	13	271	220
Finance costs		1,710	1,000
		14,771	2,523
Changes in non-cash operating working capital items	15	(3,883)	(3,250)
Income taxes (paid) received		(874)	289
Finance costs paid		(1,846)	(946)
		8,168	(1,384)
INVESTING ACTIVITIES			
Acquisition of investments	9	(90)	-
Proceeds from disposal of investments	9	30	352
Acquisition of property, plant and equipment	10	(8,575)	(7,814)
Proceeds from disposal of property, plant and equipment	10	459	1,257
		(8,176)	(6,205)
FINANCING ACTIVITIES			
Repayment of loan receivable	17	628	-
Proceeds from inssuance of shares		54	51
Proceeds from factoring		22,253	5,543
Repayment on factoring		(22,958)	(6,233)
Proceeds from long-term debt		88,057	86,544
Repayment of long-term debt and finance leases		(84,871)	(78,947)
		3,163	6,958
Effect of exchange rate changes on cash		(123)	(61)
Increase (decrease) in cash		3,032	(692)
Cash, beginning of year		1,601	2,293
Cash, end of year		4,633	1,601

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. The percentage of voting rights in its subsidiaries and its associates is as follows:

	% of voting rights
Orbit Garant Drilling Services Inc.	100%
9116-9300 Québec inc.	100%
Drift Exploration Drilling Inc.	100%
Drift de Mexico SA de CV	100%
Orbit Garant Chile S.A.	100%
Perforación Orbit Garant Chile SpA (wound up into Orbit Garant Chile S.A. as of October 31, 2017)	100%
Orbit Garant Drilling Ghana Limited	100%
Perforación Orbit Garant Peru S.A.C.	100%
OGD Drilling (Guyana) Inc.	100%
Forage Orbit Garant BF S.A.S.	100%
Orbit Miyuu Kaa Drilling Inc.	49%
Sarliaq-Orbit Garant Inc.	49%

2. BASIS OF PREPARATION

Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The IFRS accounting policies set out below were consistently applied to all years presented.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates, assumptions and judgments. 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 the areas where assumptions and estimates are significant, are disclosed in Note 4.

These consolidated financial statements have been prepared on a historical cost basis except for the investments, which are measured at fair value, and share-based compensation is measured in accordance with IFRS 2, *Share-Based Payment*. They 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 12, 2018.

3. 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 are considered when the Company controls another entity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of earnings (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 with the former owners of the acquiree and the equity interests issued by the Company 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 assumed 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.

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

Foreign currency translation

Transactions denominated in a currency other than the functional currency of the Company or of a foreign subsidiary whose functional currency is the Canadian dollar, are accounted for using the exchange rate prevailing on the transaction date. On each reporting date, monetary items denominated in a foreign currency are translated using the exchange rate prevailing on that date, and non-monetary items that are measured at historical cost are not adjusted. Exchange differences are recognized in net earnings in the period during which they occur.

The assets and liabilities of foreign subsidiaries whose functional currency is not the Canadian dollar are translated into Canadian dollars by applying the exchange rate prevailing as at the reporting date. Revenue and expense items are translated at the average exchange rate for the period. Exchange differences are recognized in OCI under "Cumulative translation differences" and are accumulated in equity. The accumulated amount of exchange differences is reclassified in net earnings upon disposal or partial disposal of an interest in a foreign operation.

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. Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument.

Asset/Liability	Classification	Measurement
Cash	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Investments	Available-for-sale	Fair value
Loan receivable	Loans and receivables	Amortized cost
Trade and other payables	Other liabilities	Amortized cost
Factoring liabilities	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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.

Trade and other receivables

Trade and other receivables are initially stated at their fair value, less an allowance for doubtful accounts. The Company establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. Individual trade receivables are written off when Management deems them not collectible. The carrying amounts for trade receivables 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, motors, drill rods and drill bits. These inventories are valued at the lower of cost and net realizable value. Net realizable value is determined using the estimate selling price of projets less estimated costs to complete the project. Cost is determined on the first-in, first-out basis. Used and revised inventories are valued at 50% and 75% of original cost respectively to approximate net realizable value. The amount of any depreciation of inventories can be reversed when the circumstances that led to the write-down 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 earnings (loss). Realized gains or losses are recorded in the consolidated statement of earnings (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 earnings (loss) and there is objective evidence that the investment is impaired, any cumulative loss that has been recognized in other comprehensive earnings (loss) is reclassified as an impairment loss in the consolidated statement of earnings (loss).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate

An associate is an entity over which the Company has significant influence. The Company has significant influence when it has the power to participate in the financial and operating policy decisions of the investee, but does not have control or joint control. The Company accounts for its investment in an associate using the equity method. Under the equity method, the investment is initially recognized at cost. Subsequent to initial recognition, the consolidated financial statement influence ceases. Distributions received from an associate reduce the carrying amount of the investment. The consolidated statements of comprehensive earnings (loss) include the Company's share of any amounts reconized by its associate in other comprehensive earnings (loss), if any. Intercompany balances between the Company and its associate are not eliminated.

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.

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.

Impairment of non-financial 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 non-financial assets with finite useful lives may be less than their recoverable amounts.

Goodwill, other intangible assets having an indefinite useful life, and intangible assets not yet available for use are tested for impairment on June 30 of each financial year or whenever there is an indication that the carrying amount of the asset, of 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 non-financial assets with finite useful lives and intangible assets having an indefinite useful life, other than goodwill, can be reversed through the consolidated statement of earnings (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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Current income taxes are recognized with respect to amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in earnings in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to an amount that is more likely than not to be realized. A deferred tax expense or benefit is recognized in other comprehensive earnings or otherwise directly in equity to the extent that it relates to items that are recognized in other comprehensive earnings (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.

Leases

Property, plant and equipment held under a finance lease are initially recognized at the lesser of the fair value of the asset and the present value of the minimum lease payments. The leased item is then recognized in the same manner as other similar assets held by the Company. The related liability payable to the lessor is recorded as a debt resulting from a finance lease and a finance charge is recognized in net earnings for the duration of the lease.

Operating lease payments are recognized in the consolidated statement of earnings (loss) on a straight-line basis over the period of the lease. Any leases incentives are amortized as a reduction lease expense.

Revenue recognition

Revenue from drilling contracts is recognized on the basis of actual metres drilled for each contract. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 outstanding for the period. Diluted common shares reflect the potential dilutive effect of exercising the share options based on the treasury share method.

Share options

The Company uses the fair value method under IFRS 2 to account for share 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 share options expected to vest and is net of share options cancelled prior to being vested. When unexercised share options are forfeited or expired, the amounts are transferred to retained earnings.

4. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of financial statements in accordance with IFRS requires the Company's Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and contingent liabilities on the reporting date, and amounts of revenues and expenses for the relevant period. Although Management regularly reviews its estimates, actual results may differ. The impact of changes to accounting estimates is recognized in the period during which the change occurs, and in the affected future periods, when applicable. Areas in which the estimates and assumptions are significant or which are complex, are presented as follows:

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 determined using the estimated selling price of projects less estimated costs to complete the project. 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, 2018, Management assesses that the useful lives represent the period of expected use of the assets of 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.

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 establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

4. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS (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 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 reporting date and changes in estimates are reflected in the consolidated statement of earnings (loss) in the reporting period in which changes occur.

Share options

The Company uses the fair value method to account for share 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 assumptions such as volatility, dividend yield and expected term.

The preparation of financial consolidated statements according to the IFRS also requires management to make judgments, other than those involving estimates, in the process of applying of the Company's accounting policies. Areas in which judgments are significant are as follow:

Functional currency

In determining the functional currency of its foreign subsidiaries, the Company needs to evaluate different factors such as the currency that mainly influences sales prices and costs, the economic environment and the degree of autonomy of the subsidiary. Following the evaluation of the different factors, when the functional currency is not obvious, the Company uses its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Impairment of non-financial assets

The Company also uses its judgment to determine whether an impairment test must be performed due to the presence of potential impairment indicators. In applying its judgment, the Company relies primarily on its knowledge of its business and the economic environment. As at June 30, 2018 and as at June 30, 2017, the Company concluded that there were no impairment indicators, and it did not perform an impairment test (see Note 10).

5. STANDARDS AND INTERPRETATIONS ADOPTED

The following standards and amendments to existing standards have been adopted by the Company on July 1, 2017:

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.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)
The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences.

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

6. RECENT ACCOUNTING PRONOUNCEMENTS

New standards and interpretations not yet adopted:

IFRS 9 – Financial Instruments
IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The Company does not expect IFRS 9 to have a material impact on the consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers
The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRS. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers*, and SIC 31, *Revenue – Barter Transactions Involving Advertising Services*. The Company does not expect IFRS 15 to have a material impact on the consolidated financial statements.

IFRS 16 – Leases
This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, *Leases*. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

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

6. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

The amendments provide requirements on the accounting for (i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight. The Company does not expect amendments to IFRS 2 to have a material impact on the consolidated financial statements.

IFRIC Interpretation 22 – Foreign Currency Transaction and Advance Consideration

IFRIC 22 clarifies that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset and deferred income liability, and that if there are multiple payments or receipt in advance, a date of transaction is established for each payment or receipt. IFRIC Interpretation 22 is effective from years beginning January 1, 2018, with early adoption permitted. The Company does not expect IFRIC interpretation 22 to have a material impact on the consolidated financial statements.

IFRIC 23 – Uncertainty over Income Tax Treatments

The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Interpretation requires an entity to (i) contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; (ii) reflect an uncertainty in the amount of income tax payable (recoverable) if it is probable that it will pay (or recover) an amount for the uncertainty; and (iii) measure a tax uncertainty based on the most likely amount or expected value depending on whichever method better predicts the amount payable (recoverable). The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

7. EXPENSES BY NATURE

Detail of the depreciation and amortization expenses

The depreciation expense of property, plant and equipment have been charged to the consolidated statement of earnings (loss) as follows:

	June 30 2018	June 30 2017
	$	$
Cost of contract revenue	7,900	8,729
General and administrative expenses	874	847
Total depreciation and amortization	8,774	9,576

Principal expenses by nature

Cost of contract revenue of $151,603 (June 30, 2017: $117,135), general and administrative expenses, foreign exchange loss (gain) and finance costs totalling $17,248 (June 30, 2017: $15,910), by nature are as follows:

	June 30 2018	June 30 2017
	$	$
Depreciation and amortization	8,774	9,576
Employee benefits expense	87,187	68,489
Cost of inventories	37,767	30,679
Other expenses	35,123	24,301
Total cost of contract revenue, general and administrative expenses, foreign exchange loss (gain) and finance costs	168,851	133,045

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

8. INVENTORIES

	June 30 2018	June 30 2017
	$	$
Spare parts, net	13,067	12,311
Consumables, net	25,000	25,053
Other	1,352	1,361
	39,419	38,725

Spare parts mainly include motors and drill bits. Consumables mainly include limited life tools, rods, hammers, wire lines and casings.

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

	June 30 2018	June 30 2017
	$	$
	37,767	30,679

During the year, an amount of $604 (2017: nil) has been accounted for as a write-down of inventories as a result of net realizable value being lower than cost. As at June 30, 2018, no amount has been accounted as a reversal of a write-down of inventory ($295 for the year ended June 30, 2017).

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

9. INVESTMENTS

	June 30 2018	June 30 2017
	$	$
Investments in public companies, beginning of the year	682	709
Acquisition of investments	90	-
Conversion of accounts receivable	-	60
Proceeds from disposal of investments	(30)	(352)
Change in fair value of available-for-sale investments	(200)	265
Investments in public companies, end of the year	542	682

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 reporting date. The original cost is $425 ($347 as at June 30, 2017). The gain on disposal of investments totalling $18 for the year ended June 30, 2018 is included in general and administrative expenses ($266 for the year ended June 30, 2017).

(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, 2017	841	10,415	74,166	16,371	2,971	104,764
Additions	-	76	5,721	2,319	459	8,575
Disposals	-	(47)	(670)	(710)	-	(1,427)
Write-offs	-	-	(829)	(413)	-	(1,242)
Effect of movements in exchange rates	-	5	801	(93)	(6)	707
Balance as at June 30, 2018	841	10,449	79,189	17,474	3,424	111,377
Accumulated Depreciation						
Balance as at July 1, 2017	-	3,347	48,250	10,976	2,177	64,750
Depreciation	-	600	5,906	1,979	289	8,774
Disposals	-	(47)	(432)	(705)	-	(1,184)
Write-offs	-	-	(812)	(413)	-	(1,225)
Effect of movements in exchange rates	-	-	543	(27)	5	521
Balance as at June 30, 2018	-	3,900	53,455	11,810	2,471	71,636

	Land	Buildings and components	Drilling equipment	Vehicles	Other	Total
Cost	$	$	$	$	$	$
Balance as at July 1, 2016	841	9,848	74,770	15,604	2,886	103,949
Additions	-	860	4,948	1,812	194	7,814
Disposals	-	(267)	(3,233)	(903)	(36)	(4,439)
Write-offs	-	(26)	(1,985)	(142)	(73)	(2,226)
Effect of movements in exchange rates	-	-	(334)	-	-	(334)
Balance as at June 30, 2017	841	10,415	74,166	16,371	2,971	104,764
Accumulated Depreciation						
Balance as at July 1, 2016	-	2,968	45,705	10,294	2,004	60,971
Depreciation	-	563	7,120	1,611	282	9,576
Disposals	-	(158)	(2,410)	(791)	(36)	(3,395)
Write-offs	-	(26)	(1,916)	(138)	(73)	(2,153)
Effect of movements in exchange rates	-	-	(249)	-	-	(249)
Balance as at June 30, 2017	-	3,347	48,250	10,976	2,177	64,750
June 30, 2017:						
Net book value	841	7,068	25,916	5,395	794	40,014
Portion related to finance leases	-	-	1,338	142	-	1,480
June 30, 2018:						
Net book value	841	6,549	25,734	5,664	953	39,741
Portion related to finance leases	-	-	741	91	-	832

The gain on disposal of property, plant and equipment totalling $199 for the year ended June 30, 2018 (a gain of $140 for the year ended June 30, 2017) is included in cost of contract revenue. There was no impairment charge recognised for the years ended June 30, 2018 and 2017.

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

11. LONG-TERM DEBT

	June 30 2018	June 30 2017
	$	$
Loan authorized for a maximum amount of $30 million, bearing interest at prime rate plus 2.00%, effective rate as at June 30, 2018 of 5.45% (June 30, 2017: interest at prime rate plus 2.00%, effective rate of 4.70%), maturing November 2020, secured by a first rank hypothec on the universality of all present and future assets [a] [b]	17,954	13,571
Loan authorized for an amount of $2.5 million, bearing interest at prime rate plus 4.50%, effective rate as at June 30, 2018 of 7.95% (June 30, 2017: bearing interest at prime rate plus 4.50%, effective rate of 7.20%), payable in monthly instalments of $52 as from June 2017, maturing May 2021, secured by a second rank hypothec on the universality of all present and future assets [b]	1,813	2,434
Finance leases, bearing interest between 3.34% and 5.99% (June 30, 2017: 3.34% and 9.77%), maturing December 2020	271	983
	20,038	16,988
Current portion	(812)	(14,903)
	19,226	2,085

[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 $178 ($42 as at June 30, 2017), representing financing fees, has been netted against 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 12). As at June 30, 2018, the Company was compliant with its financial covenants (June 30, 2017: the Company was compliant with its financial covenants).

On November 2, 2017, the Company and the Lender entered into a new credit agreement that replaces the Credit Facility with a new three-year credit facility, consisting of a $30 million revolving credit facility, a US$3 million letter of credit facility and a US$3 million revolving credit facility.

As at June 30, 2018, the prime rate in Canada was 3.45% for Canadian loans (2.70% as at June 30, 2017) and the prime rate in United States was 5.50% for US loans (4.75% as at June 30, 2017).

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

11. LONG-TERM DEBT (continued)

As at June 30, 2018, principal payments required in the next years are as follows:

	Loan	Finance lease	Total
	$	$	$
Within one year	625	187	812
Later than one year and not later than five years	19,320	84	19,404
	19,945	271	20,216

Minimum lease payments are as follows:

	Minimum lease payments	Present value of minimum lease payments	
		June 30 2018	June 30 2017
	$	$	$
Within one year	194	187	720
Later than one year and not later than five years	89	84	263
	283	271	983
Less: future finance charges	(12)	-	-
Present value of minimum lease payments	271	271	983

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

As at June 30, 2018	Total	Within one year	Later than one but not later than five years
	$	$	$
CAN	19,865	652	19,213
Chilean Pesos (CLP86,745,909)	173	160	13
	20,038	812	19,226

12. CAPITAL MANAGEMENT

The Company includes long-term debt and finance leases, share capital, equity settled reserve, retained earnings, accumulated other comprehensive earnings (loss) and cash in its definition of capital.

The Company's capital structure is as follows:

	June 30 2018	June 30 2017
	$	$
Long-term debt and finance leases	20,038	16,988
Share capital	57,207	57,130
Equity settled reserve	1,208	1,178
Retained earnings	20,609	15,907
Accumulated other comprehensive earnings (loss)	(88)	49
Cash	(4,633)	(1,601)
	94,341	89,651

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

12. 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, 2018, as mentioned in Note 11, the Company complied with its covenants (June 30, 2017: 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.

13. 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 must be adopted before their issuance by a resolution of the Board of Directors of the Company.

	June 30, 2018		June 30, 2017	
Common shares	Number of shares	$	Number of shares	$
Balance, beginning of the year	36,094,919	57,130	35,101,419	55,688
Shares issued:				
For share options exercised [(a)]	52,200	77	993,500	1,442
Balance, end of the year	36,147,119	57,207	36,094,919	57,130

[(a)] On February 28, 2017, the Company issued 942,000 common shares to the President and Chief Executive Officer in connection with the exercise of its options.

Net earnings (loss) per share

Diluted net earnings (loss) per common share were calculated based on net loss divided by the average number of common shares outstanding using the treasury shares method. For 2017, shares options are not included in the computation of diluted net earnings (loss) per share as their inclusion would be anti-dilutive.

Net earnings (loss) per share - basic	June 30 2018		June 30 2017	
Net earnings (loss) attributable to common shareholders	4,484	$	(5,874)	$
Weighted average basic number of common shares outstanding	36,121,152		35,504,686	
Net earnings (loss) per share - basic	0.12	$	(0.17)	$

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

13. SHARE CAPITAL (continued)

Net earnings (loss) per share - diluted	June 30 2018	June 30 2017
Net earnings (loss) attributable to common shareholders	4,484 $	(5,874) $
Weighted average basic number of common shares outstanding	36,121,152	35,504,686
Adjustment to average number of common shares - share options	720,732	-
Weighted average diluted number of common shares outstanding	36,841,884	35,504,686
Net earnings (loss) per share - diluted	0.12 $	(0.17) $

2008 share option plan

On June 26, 2008, the Company established an equity settled option plan (the 2008 Share Option Plan), which is intended to aid in attracting, retaining and motivating the Company's officers, employees, directors and consultants. The option plan has been prepared in accordance with the TSX's policies on listed company security-based compensation arrangements. Persons eligible to be granted options under the 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 Share Option Plan shall not exceed 10% of the issued and outstanding common shares. The number of common shares which may be reserved for issuance pursuant to options granted under the 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 Share 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 Share Option Plan, applicable securities legislation and the rules of the TSX. Unless otherwise determined by the Board of Directors, options vest at a rate of 20% per annum commencing 12 months after the date of grant and expire no later than 7 years after the grant date. Options are forfeited when the option holder ceases to be a director, officer or employee of the Company. The exercise price for any option may not be less than the fair market value (the closing price of the common shares on the TSX on the last trading day on which common shares traded prior to such day, or the average of the closing bid and ask prices over the last five trading days, if no trades accrued over that period) of the common shares at the time of the grant of the option.

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

13. SHARE CAPITAL (continued)

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

	June 30, 2018		June 30, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Outstanding at the beginning of the year	2,336,500	1.35	2,877,500	1.16
Granted during the year	490,000	2.10	500,000	1.75
Exercised during the year [(a)]	(52,200)	1.03	(993,500)	1.02
Cancelled during the year	(277,800)	0.79	(47,500)	1.28
Outstanding at end of the year	2,496,500	1.48	2,336,500	1.35
Exercisable at end of the year	1,150,900	1.43	895,400	1.54

[(a)] For the year ended June 30, 2018, the weighted average share price at the date of exercise was $2.11 (for the year ended June 30, 2017: $1,89).

On December 5, 2017, 490,000 stock options have been granted to employees and directors giving the option to purchase a common share for an exercice price of $2.10 per share which represents the fair value of a common share at the date of the grant. These options have a life of 5 years and will vest at a rate of 33% per annum commencing 12 months after the date of the grant.

The following table summarizes information on share options outstanding at June 30, 2018:

Range of exercise price $	Outstanding at June 30, 2018	Weighted average remaining life (years)	Weighted average exercise price $	Exercisable at June 30, 2018	Weighted average exercise price $
0.50 - 1.49	1,206,500	3.59	0.87	697,900	0.93
1.50 - 2.49	1,287,500	3.89	2.04	450,500	2.18
3.50 - 4.49	2,500	1.37	4.00	2,500	4.00
	2,496,500			1,150,900	

The fair value of options granted were determined using the Black-Scholes option-pricing model. The following table summarizes the grant date fair value calculations with weighted average assumptions:

	Granted in December 2017	Granted in December 2016
Risk-free interest rate	1.62%	0.92%
Expected life (years)	3	5
Expected volatility (based on historical volatility)	40.07%	36.00%
Expected dividend yield	0%	0%
Fair value of options granted	$0.66	$0.58

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

13. SHARE CAPITAL (continued)

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 2018	June 30 2017
	$	$
Expense related to share-based compensation	271	220

14. INCOME TAXES

Income tax expense recovery comprises the following:

	June 30 2018	June 30 2017
Current tax	$	$
Current year	178	480
Prior years adjustments	(190)	232
	(12)	712
Deferred tax		
Current year	(236)	(2,711)
Prior years adjustements	(3)	6
	(239)	(2,705)
	(251)	(1,993)

The tax rates prescribed by the applicable laws were at 26.75% in 2018 and at 26.85% in 2017.

	June 30 2018	June 30 2017
	$	$
Earnings (loss) before income taxes	4,233	(7,867)
Statutory rates	26.75%	26.85%
Income taxes (recovery) based on statutory rates	1,132	(2,112)
Increase (decrease) of income taxes due to the following:		
Non-deductible expenses and other	225	4
Non-deductible share-based compensation expense	73	59
Non-taxable portion of capital gain	(1)	(35)
Difference of income tax rates between territories	21	20
Effect of corporate tax rate modification	(19)	6
Withholdings taxes	175	-
Prior years adjustments	(193)	232
Income tax assets unrecognized	(1,599)	(167)
Others	(65)	-
Total income tax recovery	(251)	(1,993)

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

14. 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 2017	Recognized in statement of earnings (loss)	Other	June 30 2018
	$	$	$	$
Deferred income tax assets:				
Intangible assets	50	81	-	131
Loss carried forward	4,635	(495)	-	4,140
Non-deductible provisions	99	883	-	982
Total deferred income tax assets	4,784	469	-	5,253
Deferred income tax liabilities:				
Investments	30	(6)	(18)	6
Property, plant and equipment	1,118	236	-	1,354
Total deferred income tax liabilities	1,148	230	(18)	1,360
Net deferred income tax assets	3,636	239	18	3,893

	July 1 2016	Recognized in statement of earnings (loss)	Other	June 30 2017
	$	$	$	$
Deferred income tax assets:				
Intangible assets	(60)	110	-	50
Loss carried forward	2,364	2,271	-	4,635
Non-deductible provisions	99	-	-	99
Total deferred income tax assets	2,403	2,381	-	4,784
Deferred income tax liabilities:				
Investments	45	(14)	(1)	30
Property, plant and equipment	1,428	(310)	-	1,118
Total deferred income tax liabilities	1,473	(324)	(1)	1,148
Net deferred income tax assets	930	2,705	1	3,636

As presented in the consolidated statements of financial position:

	June 30 2018	June 30 2017
	$	$
Deferred tax assets	4,010	3,766
Deferred tax liabilities	(117)	(130)
	3,893	3,636

Tax losses for which no deferred tax assets were recognized expire as follows:	June 30 2018	June 30 2017
Never expire	$	$
Chilean Pesos (CLP2,502,894,330 in 2017)	-	4,873

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

15. ADDITIONAL INFORMATION RELATING TO THE STATEMENTS OF CASH FLOWS

Changes in non-cash operating working capital items:

	June 30 2018	June 30 2017
	$	$
Trade and other receivables	(8,329)	(3,243)
Inventories	(694)	(3,436)
Prepaid expenses	(126)	(190)
Trade and other payables	5,266	3,619
	(3,883)	(3,250)

16. COMMITMENTS AND GUARANTEES

Commitments

The Company has entered into operating lease agreements expiring in 2021 which call for lease payments of $38 for the rental of vehicles. The Company has also entered into lease agreements for offices expiring in 2021 for minimum lease payments of $1,137. None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions. The minimum lease payments under these lease agreements for the next three years are detailed as follows:

	$
2019	565
2020	430
2021	180

Lease payments recognised as an expense during the year amount to $5,755 (year ended June 30, 2017: $2,096). 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

As at June 30, 2018, the Company issued some bank guarantees in favor of customers for a total amount of $1,090 (year ended June 30, 2017: $2,832), maturing in February 2019. For the year ended June 30, 2018, the Company has not made any payments in connection with these guarantees.

17. RELATED PARTY TRANSACTIONS

Transactions with related parties

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

On February 28, 2017, the Company granted a loan maturing not later than February 28, 2019, for the amount of $1,237 to the President and Chief Executive Officer in connection with the exercise of his options to purchase 942,000 shares of Orbit Garant Drilling Inc. The loan bears interest at the rate of 4% annually and is secured by a pledge of shares and a guarantee from 6705570 Canada Inc. On December 15, 2017, the President and Chief Executive Officer repaid an amount of $628. As at June 30, 2018, the loan and unpaid interest amounted to $662 (June 30, 2017: $1,254).

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

17. RELATED PARTY TRANSACTIONS (continued)

Transactions with related parties

During the years ended June 30, 2018 and 2017, the Company entered into the following transactions with its related companies and with persons related to directors:

	June 30 2018	June 30 2017
	$	$
Revenues	283	102
Expenses	131	167

As at June 30, 2018, an amount of $769 was receivable resulting from these transactions (June 30, 2017: $1,254).

Transactions with associate parties

During the years ended June 30, 2018 and 2017, the Company entered into the following transactions with its associate parties:

	June 30 2018	June 30 2017
	$	$
Revenues	9,246	-

As at June 30, 2018, trade and other receivables included an amount receivable of $1,454 from one of its associates (June 30, 2017: nil).

All of these related and associate parties transactions made in the normal course of business were measured at the exchange amount, which is the amount established and agreed to by the parties.

18. KEY MANAGEMENT COMPENSATION

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

	June 30 2018	June 30 2017
	$	$
Salaries and fees	1,734	1,433
Share-based compensation	236	204
	1,970	1,637

19. 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.

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

19. FINANCIAL INSTRUMENTS (continued)

Currency risk

The Company realizes a part of its activities in US dollars (US $), in Chiliean Pesos (CLP), in Ghanian cedi (GHS cedi) and in West African Francs (XOF). The Company's exposure to currency risk on its consolidated financial statements was as follows at June 30, 2018:

	US $	CLP	GHS cedi	XOF
	$	$	$	$
Cash	522,055	832,879,752	625,294	137,871,643
Trade receivables	1,258,380	2,907,515,452	4,549,573	608,226,530
Income tax receivable	67,140	215,193,955	808,786	25,877,088
Accounts payable and accrued liabilities	(78,695)	(568,562,824)	(44,865)	(115,076,032)
Net balance exposure	1,768,880	3,387,026,335	5,938,788	656,899,229
Equivalent in Canadian dollars	2,329	6,794	1,628	1,556

The Company has estimated that a 10% increase or decrease of the foreign exchange rates would have caused a corresponding annual increase or decrease in net earnings (loss) and comprehensive earnings (loss) of:

	US $	CLP	GHS cedi	XOF
	$	$	$	$
Increase in net income in Canadian dollars	170	465	103	109

The Company's exposure to currency risk on its consolidated financial statements was as follows at June 30, 2017:

	US $	CLP	GHS cedi	XOF
	$	$	$	$
Cash	957,308	207,424,327	26,065	12,751,223
Trade receivables	635,924	1,471,946,677	1,561,986	-
Income tax receivable (payable)	77,551	32,693,396	(298,441)	(21,713,291)
Accounts payable and accrued liabilities	(95,880)	(432,084,209)	(280,550)	(26,776,985)
Factoring	-	361,858,168	-	-
Net balance exposure	1,574,903	1,641,838,359	1,009,060	(35,739,053)
Equivalent in Canadian dollars	2,044	3,302	311	(81)

The Company has estimated that a 10% increase or decrease of the above foreign exchange rates would have caused a corresponding annual increase or decrease in net earnings (loss) and comprehensive earnings (loss) of:

	US $	CLP	GHS cedi	XOF
	$	$	$	$
Increase (decrease) in net income in Canadian dollars	149	241	23	(6)

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 certain accounts receivable. As at June 30, 2018, the amount of the insurance coverage from EDC represents 6% of the accounts receivable (5% as at June 30, 2017).

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

19. FINANCIAL INSTRUMENTS (continued)

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

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

The aging of trade receivable balances and the allowance for doubtful accounts as at June 30, 2018 and June 30, 2017 were as follows:

	June 30 2018	June 30 2017
	$	$
Current	24,701	20,467
Past due 0-30 days	3,454	1,463
Past due more than 30 days	3,798	1,998
Total trade receivables	31,953	23,928
Less: allowance for doubtful accounts	727	525
	31,226	23,403

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

	June 30 2018	June 30 2017
	$	$
Balance at beginning of year	525	370
Change in allowance, other than write-offs and recoveries	240	348
Write-offs of accounts receivable	-	(149)
Recoveries	(38)	(44)
Balance at end of year	727	525

As at June 30, 2018, 60% (June 30, 2017: 58%) of the trade and other receivables are aged as current and 2% are impaired (June 30, 2017: 2%).

One major customer represents 20% of the trade accounts receivable as at June 30, 2018 (June 30, 2017, one major customer represents 14% of these accounts).

Two major customers represent 28% of the contract revenue for the year ended June 30, 2018 (year ended June 30, 2017, two major customers represent 29%).

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 risk is limited for the loan receivable because it is secured by a pledge of Company's shares.

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, 2018, the Company has estimated that a 1% increase or decrease in interest rates would have caused a corresponding annual increase or decrease in net earnings (loss) and comprehensive earnings (loss) of $146 (June 30, 2017, $117).

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

19. FINANCIAL INSTRUMENTS (continued)

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 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, trade and other receivables, trade and other payables 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.

The fair value of loan receivable approximates its carrying value as the interest rate was established based on market conditions and the interest rates on the market have not changed significantly since the loan was granted.

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 June 30, 2018, the investments are classified as a Level 1 financial instrument as the fair value is determined using quoted prices in the active markets and the long-term debt and loan receivable are classified as Level 2 financial instruments as the fair value is determined using the carrying value.

There were no transfers of amounts between Level 1, Level 2 and Level 3 financial instruments for the year ended June 30, 2018.

Liquidity risk

Liquidity risk arises from the Company's management of working capital, the finance costs 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 11 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 as "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 June 30, 2018, there were no amounts included in the trade receivables related to factored accounts ($705 as at June 30, 2017).

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

19. FINANCIAL INSTRUMENTS (continued)

The following tables present the contractual cash flows for the financial liabilities based on their remaining contractual maturities.

				As at June 30, 2018
	Total	0 - 1 year	2 - 3 years	4 - 5 years
	$	$	$	$
Trade and other payables	24,247	24,247	-	-
Long-term debt	19,945	625	19,320	-
Finance lease	271	187	84	-
	44,463	25,059	19,404	-

				As at June 30, 2017
	Total	0 - 1 year	2 - 3 years	4 - 5 years
	$	$	$	$
Trade and other payables	18,981	18,981	-	-
Factoring liabilities	705	705	-	-
Long-term debt	16,047	14,225	1,822	-
Finance lease	983	720	221	42
	36,716	34,631	2,043	42

20. 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:

	June 30 2018	June 30 2017
Contract revenue	$	$
Canada	120,887	99,259
International (1)	58,309	28,387
Inter-segment revenue	(6,112)	(2,468)
	173,084	125,178
Profit (loss) from operation		
Canada	6,302	653
International	3,078	(4,510)
	9,380	(3,857)

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

20. SEGMENTED INFORMATION (continued)

	June 30 2018	June 30 2017
	$	$
General and corporate expenses [2]	3,437	3,010
Finance costs	1,710	1,000
Income tax recovery	(251)	(1,993)
	4,896	2,017
Net earnings (loss)	4,484	(5,874)
[1] The International operating segment included Chilean revenus as follows :	41,577	20,150

[2] General and corporate expenses include expenses for corporate offices, share options and certain unallocated costs.

Depreciation and amortization		
Canada	5,484	5,903
International	2,416	2,826
Total depreciation and amortization included in profit (loss) from operation	7,900	8,729
Unallocated and corporate assets	874	847
Total depreciation and amortization	8,774	9,576

	As at June 30, 2018	As at June 30, 2017
	$	$
Identifiable assets		
Canada	85,864	83,725
Chile	19,824	14,317
International - Other	17,650	13,406
	123,338	111,448
Property, plant and equipment		
Canada	29,789	29,450
Chile	4,914	5,834
International - Other	5,038	4,730
	39,741	40,014
Non-current assets acquisitions		
Canada	7,238	5,725
International	911	1,189
Unallocated and corporate assets	426	900
	8,575	7,814

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Directors

Paul Carmel (1, 2)
Chair of the Board of Directors

William N. Gula (1, 2*)
Senior Advisor, Morrison Park Advisors, and
Partner, Hansell LLP

Jean-Yves Laliberté (1*, 2)
Corporate Director and Consultant

Pierre Alexandre
Vice Chair and Vice President of Corporate Development,
Orbit Garant Drilling Inc.

Eric Alexandre
President and Chief Executive Officer, Orbit Garant Drilling Inc.

1 Member of Audit Committee.
2 Member of Corporate Governance and Compensation Committee.
* Denotes Committee Chair.

Officers

Eric Alexandre
President and Chief Executive Officer

Pierre Alexandre
Vice Chairman and Vice President of Corporate Development

Alain Laplante
Vice President and Chief Financial Officer

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Stock Exchange Listing
Toronto Stock Exchange
Trading Symbol: OGD

Common Shares Outstanding
36,147,119 (as at June 30, 2018)

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General Counsel
Goodmans LLP
Gowling WLG (Canada) S.E.N.C.R.L., s.r.l.

Auditors
KPMG LLP

Annual and Special Meeting
Wednesday, December 5, 2018
Hôtel Le Crystal
1100, de la Montagne Street
Room René-Lévesque B (3rd floor)
Montreal, Quebec
H3G 0A1
The meeting will commence at 10:00 a.m. (ET)

FORAGE ORBIT GARANT DRILLING

CONTACT

Should you have any questions regarding Orbit Garant Drilling and its operations, please do not hesitate to contact us at one of our offices listed below. It will be our pleasure to assist you and we look forward to working with you to address your specific needs.

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