



**Unaudited Interim Condensed Consolidated
Financial Statements**

Second Quarter Fiscal 2020

(For the three and six-month periods ended December 31, 2019 and 2018)

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

ORBIT GARANT DRILLING INC.
Interim Condensed Consolidated Statements of Loss

For the three and six month periods ended December 31, 2019 and 2018

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

(Unaudited)

	Notes	December 31 2019 (3 months) \$	December 31 2018 (3 months) \$	December 31 2019 (6 months) \$	December 31 2018 (6 months) \$
Contract revenue	16	38,289	33,700	81,571	70,971
Cost of contract revenue	4	35,884	30,787	72,220	62,469
Gross profit		2,405	2,913	9,351	8,502
Expenses					
General and administrative expenses		4,153	4,866	8,542	8,761
Foreign exchange loss (gain)		39	(394)	218	86
Finance costs		700	481	1,404	888
	4	4,892	4,953	10,164	9,735
Loss before income taxes		(2,487)	(2,040)	(813)	(1,233)
Income tax expense (recovery)	11				
Current		239	465	(127)	682
Deferred		(369)	(865)	571	(634)
		(130)	(400)	444	48
Net loss		(2,357)	(1,640)	(1,257)	(1,281)
Net loss per share	10				
Basic		(0.06)	(0.04)	(0.03)	(0.03)
Diluted		(0.06)	(0.04)	(0.03)	(0.03)

ORBIT GARANT DRILLING INC.**Interim Condensed Consolidated Statements of Comprehensive Loss**

For the three and six month periods ended December 31, 2019 and 2018

(in thousands of Canadian dollars)

(Unaudited)

	December 31 2019 (3 months)	December 31 2018 (3 months)	December 31 2019 (6 months)	December 31 2018 (6 months)
	\$	\$	\$	\$
Net loss	(2,357)	(1,640)	(1,257)	(1,281)
Other comprehensive loss				
Cumulative translation adjustments	(369)	(16)	(1,247)	(225)
Other comprehensive loss, net of income tax	(369)	(16)	(1,247)	(225)
Comprehensive loss	(2,726)	(1,656)	(2,504)	(1,506)

ORBIT GARANT DRILLING INC.

Interim Condensed Consolidated Statements of Changes in Equity

For the three and six month periods ended December 31, 2019 and 2018

(in thousands of Canadian dollars)

(Unaudited)

Six-month period ended December 31, 2019					Total
	Share capital	Equity settled reserve	Retained earnings	Accumulated other comprehensive loss	Shareholders' equity
	\$	\$	\$	\$	\$
	(Note 10)				
Balance as at July 1, 2019	58,857	1,486	16,971	(738)	76,576
Total comprehensive loss					
Net loss	-	-	(1,257)	-	(1,257)
Other comprehensive loss					
Cumulative translation adjustments	-	-	-	(1,247)	(1,247)
Other comprehensive loss	-	-	-	(1,247)	(1,247)
Transactions with shareholders, recorded directly in equity					
Share-based compensation (Note 10)	-	149	-	-	149
Share options cancelled	-	(339)	339	-	-
Total transactions with shareholders	-	(190)	339	-	149
Balance as at December 31, 2019	58,857	1,296	16,053	(1,985)	74,221

Six-month period ended December 31, 2018					Total
	Share capital	Equity settled reserve	Retained earnings	Accumulated other comprehensive earnings (loss)	Shareholders' equity
	\$	\$	\$	\$	\$
	(Note 10)				
Balance as at July 1, 2018	57,207	1,208	20,609	(88)	78,936
Impact of adopting IFRS 9	-	-	(189)	189	-
Adjusted balance as at July 1, 2018	57,207	1,208	20,420	101	78,936
Total comprehensive loss					
Issuance of shares related to a business combination	1,632	-	-	-	1,632
Net loss	-	-	(1,281)	-	(1,281)
Other comprehensive loss					
Cumulative translation adjustments	-	-	-	(225)	(225)
Other comprehensive loss	-	-	-	(225)	(225)
Transactions with shareholders, recorded directly in equity					
Share-based compensation (Note 10)	-	149	-	-	149
Total transactions with shareholders	-	149	-	-	149
Balance as at December 31, 2018	58,839	1,357	19,139	(124)	79,211

ORBIT GARANT DRILLING INC.
Interim Condensed Consolidated Statements of Financial Position

As of December 31, 2019 and June 30, 2019

(in thousands of Canadian dollars)

(Unaudited)

	Notes	December 31 2019	June 30 2019
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		1,445	2,480
Trade and other receivables		27,399	36,643
Inventories		52,146	43,943
Income taxes receivable		1,762	823
Prepaid expenses		1,016	1,154
		83,768	85,043
Non-current assets			
Investments	5	420	419
Property, plant and equipment	6	42,698	42,450
Right-of-use assets	3	4,211	-
Intangible assets		771	1,000
Deferred tax assets		5,179	5,783
Total assets		137,047	134,695
LIABILITIES			
Current liabilities			
Trade and other payables		20,472	24,744
Balance payable related to a business combination		-	3,370
Income taxes payable		177	429
Current portion of long-term debt	7	2,359	1,400
Current portion of lease liabilities	3 and 8	3,078	-
		26,086	29,943
Non-current liabilities			
Long-term debt	7	35,434	28,176
Lease liabilities	3 and 8	1,306	-
		62,826	58,119
EQUITY			
Share capital	10	58,857	58,857
Equity-settled reserve		1,296	1,486
Retained earnings		16,053	16,971
Accumulated other comprehensive loss		(1,985)	(738)
Equity attributable to shareholders		74,221	76,576
Total liabilities and equity		137,047	134,695

APPROVED BY THE BOARD

 Éric Alexandre, Director

 Jean-Yves Laliberté, Director

See accompanying notes to interim condensed consolidated financial statements.

ORBIT GARANT DRILLING INC.**Interim Condensed Consolidated Statements of Cash Flows**

For the three and six month periods ended December 31, 2019 and 2018

(in thousands of Canadian dollars)

(Unaudited)

		December 31 2019 (3 months)	December 31 2018 (3 months)	December 31 2019 (6 months)	December 31 2018 (6 months)
	Notes	\$	\$	\$	\$
OPERATING ACTIVITIES					
Loss before income taxes		(2,487)	(2,040)	(813)	(1,233)
Items not affecting cash					
Depreciation of property, plant and equipment		2,598	2,452	5,068	4,687
Depreciation of right-of-use assets	3	127	-	235	-
Amortization of intangible assets		105	-	211	-
Loss (gain) on disposal of property, plant and equipment	6	78	4	82	(90)
Share-based compensation	10	72	75	149	149
Finance costs		700	481	1,404	888
Net change in fair value of investments	5	25	17	29	207
		1,218	989	6,365	4,608
Changes in non-cash operating working capital items	12	(325)	(4,650)	(2,960)	(7,583)
Income taxes paid		(578)	(239)	(1,063)	(160)
Finance costs paid		(667)	(572)	(1,374)	(961)
		(352)	(4,472)	968	(4,096)
INVESTING ACTIVITIES					
Business combination of Projet Production International BF S.A.		-	(3,357)	-	(3,357)
Acquisition of investments	5	(30)	-	(30)	-
Acquisition of property, plant and equipment	6	(3,207)	(1,873)	(6,067)	(4,436)
Proceeds from disposal of property, plant and equipment	6	2	10	35	122
		(3,235)	(5,220)	(6,062)	(7,671)
FINANCING ACTIVITIES					
Repayment of loan receivable		-	675	-	675
Repayment of balance payable related to a business combination		(3,409)	-	(3,409)	-
Proceeds from long-term debt		26,892	23,913	51,610	46,391
Repayment of long-term debt		(21,824)	(17,006)	(43,272)	(37,782)
Repayment of lease liabilities		(115)	-	(222)	-
		1,544	7,582	4,707	9,284
Effect of exchange rate changes on cash and cash equivalents		(208)	(47)	(648)	(125)
Decrease in cash		(2,251)	(2,157)	(1,035)	(2,608)
Cash and cash equivalents, beginning of the period		3,696	4,182	2,480	4,633
Cash and cash equivalents, end of the period		1,445	2,025	1,445	2,025

See accompanying notes to interim condensed consolidated financial statements.

Page 6

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six month periods ended December 31, 2019 and 2018

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

(Unaudited)

1. DESCRIPTION OF BUSINESS

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

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%
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 Garant Perforaciones Patagonia S.A.S. (since August 9, 2019)	100%
Orbit Miyuu Kaa Drilling Inc. (dissolved on January 14, 2020)	49%
Sarliaq-Orbit Garant Inc.	49%
Tumiit Orbit Garant Inc.	49%

2. BASIS OF PREPARATION

Basis of presentation

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, ("IAS 34"). The IFRS accounting policies that are set out in Note 4 to the Company's annual audited consolidated statements for the year ended June 30, 2019 were consistently applied to all periods presented, except for the adoption of new standards effective July 1, 2019 as described in Note 3. These interim condensed consolidated financial statements have not been subject to a review engagement by the Company's independent auditors.

The preparation of interim condensed consolidated financial statements in conformity with IAS 34 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 areas where assumptions and estimates are significant are disclosed in Note 5 in the Company's annual audited consolidated financial statements for the year ended June 30, 2019. They remained unchanged for the three and six-month periods ended December 31, 2019.

These interim condensed 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 which 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 interim condensed consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's 2019 annual audited consolidated financial statements.

These interim condensed consolidated financial statements were approved for issue by the Board of Directors of Orbit Garant Drilling Inc. on February 12, 2020.

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six month periods ended December 31, 2019 and 2018

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

(Unaudited)

2. BASIS OF PREPARATION (continued)

Principles of consolidation

The interim condensed consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. A subsidiary is an entity controlled by the Company. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, independently of its percentage of participation. The existence and effect of potential voting rights are considered when the Company controls another entity.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the interim condensed consolidated statement of earnings from the effective date of acquisition to the effective date of disposal, as appropriate. Intercompany transactions and balances are eliminated on consolidation.

3. STANDARDS AND INTERPRETATIONS ADOPTED

The following standards and amendments to existing standards have been adopted by the Company on July 1, 2019:

IFRS 16 – Leases

The Company adopted IFRS 16, which replaces IAS 17, for its annual period beginning July 1, 2019 using the modified retrospective approach whereby no restatement of comparative periods is required. Under IAS 17, leases of property, plant and equipment were recognized as finance leases when substantially all the risks and rewards of ownership of underlying assets were transferred. All other leases were classified as operating leases. IFRS 16 requires lessees to recognize right-of-use assets, representing its right to use the underlying asset, and lease liabilities, representing its obligation to make payments. Right-of-use assets are initially measured at cost, comprised of the initial measurement of the corresponding lease liabilities, lease payments made on or before the commencement date and any initial direct costs incurred, less any lease incentives received. They are subsequently depreciated on a straight-line basis and reduced by impairment losses, if any. If it is reasonably certain that the Company will exercise the purchase options, the underlying asset is depreciated on the basis of its estimated useful life. Right-of-use assets may also be adjusted to reflect the re-measurement of related lease liabilities. Lease liabilities are initially measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index and the exercise price of a purchase option reasonably certain to be exercised. Subsequently, the lease liability is measured at amortized cost using the effective interest method and adjusted for interest and lease payments.

Impact on transition to IFRS 16 - Leases

Upon adoption of IFRS 16, assets under finance leases were reclassified from property, plant and equipment to right-of-use assets and related obligations under finance leases were reclassified from long-term debt to lease liabilities, at the carrying amounts measured under IAS 17 as at June 30, 2019. Right-of-use assets and lease liabilities for these assets previously classified as finance leases are recognized in accordance with the requirements of IFRS 16 starting July 1, 2019.

On transition, the Company elected to measure the right-of-use asset at an amount equal to the lease liability (subject to certain adjustments) for leases classified as operating leases under IAS 17. As a result, the Company recorded lease liabilities of \$4,598 and right-of-use assets of \$4,477, net of the deferred lease inducements of \$132, including leases previously recognized as finance leases under IAS 17. As permitted by IFRS 16, the Company elected not to recognize lease liabilities and right-of-use assets for short-term leases (lease term of 12 months or less) and leases of low-value assets. The Company also used hindsight to determine the lease term where the contract contains purchase, extension, or termination options and relied on the assessment of the onerous lease provisions under IAS 37 Provisions, contingent liabilities and contingent assets, instead of performing an impairment review.

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six month periods ended December 31, 2019 and 2018

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

(Unaudited)

3. STANDARDS AND INTERPRETATIONS ADOPTED (continued)

Significant judgment in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. After the commencement date, the Company reassesses the lease term for whether significant event of change in circumstances that is within its control and affects its ability to exercise (or not exercise) the option to renew has occurred.

Key Sources of Estimation Uncertainty

In determining the carrying amount of right-of-use assets and lease liabilities, the Company is required to estimate the incremental borrowing rate specific to each leased asset if the interest rate implicit in the lease is not readily determined. Management determines the incremental borrowing rate of each leased asset by incorporating the Company's creditworthiness, the security, term and value of the underlying leased asset, and the economic environment in which the leased asset operates in. The incremental borrowing rates are subject to change mainly due to macroeconomic changes in the environment.

The Company used its incremental borrowing rates as July 1, 2019 to measure its lease liabilities previously classified as operating leases. The weighted average incremental borrowing rate was 5,19% at date of adoption.

	July 1, 2019
	\$
Operating lease commitments disclosed as at June 30, 2019	2,437
Commitments relating to short-term and low-value assets	(113)
Purchase option reasonably certain to be exercised	2,679
Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date	261
	5,264
Discounting impact	(817)
Obligations under finance leases reclassified as lease liabilities	151
Lease liabilities recognized as at July 1, 2019	4,598
Additions	190
Finance costs	116
Payment of lease liabilities, including related finance costs	(338)
Foreign exchange differences	(182)
	4,384
Current portion	3,078
Balance as at December 31, 2019	1,306

Before the adoption of IFRS 16, expenses for lease liabilities were included with general and administrative expenses and with cost of contract revenue on the Company's condensed consolidated statements of earnings.

	July 1, 2019
	\$
Right-of-use assets	
Balance as at July 1, 2019	4,477
Additions	196
Depreciation	(235)
Foreign exchange differences	(227)
Balance as at December 31, 2019	4,211

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six month periods ended December 31, 2019 and 2018

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

(Unaudited)

3. STANDARDS AND INTERPRETATIONS ADOPTED (continued)

IFRIC 23 – Uncertainty over Income Tax Treatments

This 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. 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 adoption of IFRIC 23 did not have an impact on the Company's interim condensed consolidated financial statements.

4. EXPENSES BY NATURE

Detail of the depreciation and amortization expenses

The depreciation expense of property, plant and equipment, the depreciation expense of right-of-use assets and the amortization expense of intangible assets have been charged to the interim condensed consolidated statement of earnings as follows:

	December 31 2019 (3 months)	December 31 2018 (3 months)	December 31 2019 (6 months)	December 31 2018 (6 months)
	\$	\$	\$	\$
Cost of contract revenue	2,396	2,222	4,675	4,218
General and administrative expenses	434	230	839	469
Total depreciation and amortization	2,830	2,452	5,514	4,687

Principal expenses by nature

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

	December 31 2019 (3 months)	December 31 2018 (3 months)	December 31 2019 (6 months)	December 31 2018 (6 months)
	\$	\$	\$	\$
Depreciation and amortization	2,830	2,452	5,514	4,687
Employee benefits expense	21,085	19,195	43,448	39,451
Cost of inventories	8,558	6,191	16,549	13,523
Other expenses	8,303	7,902	16,873	14,543
Total cost of contract revenue, general and administrative expenses, foreign exchange loss (gain) and finance costs	40,776	35,740	82,384	72,204
Cost of contract revenue	35,884	30,787	72,220	62,469
General and administrative expenses, foreign exchange loss (gain) and finance costs	4,892	4,953	10,164	9,735
Total cost of contract revenue, general and administrative expenses, foreign exchange loss (gain) and finance costs	40,776	35,740	82,384	72,204

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six month periods ended December 31, 2019 and 2018

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

(Unaudited)

5. INVESTMENTS

	Six month-period ended December 31, 2019	Year ended June 30, 2019
	\$	\$
Investments in public companies, beginning of the period	419	542
Acquisition of investments	30	-
Conversion of trade receivables	-	61
Change in fair value of investments measured at fair value through profit or loss	(29)	(184)
Investments in public companies, end of the period	420	419

6. PROPERTY, PLANT AND EQUIPMENT

	December 31 2019 (3 months)	December 31 2018 (3 months)	December 31 2019 (6 months)	December 31 2018 (6 months)
	\$	\$	\$	\$
Acquisition of property, plant and equipment	3,207	1,873	6,067	4,436
Property, plant and equipment related to a business combination	-	4,395	-	4,395
Proceed from disposal of property, plant and equipment	(2)	(10)	(35)	(122)
Loss (gain) on disposal of property, plant and equipment	78	4	82	(90)

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

7. LONG-TERM DEBT

	December 31 2019	June 30 2019
	\$	\$
Loan authorized for a maximum amount of \$35,000, bearing interest at prime rate plus 2.00%, effective rate as at December 31, 2019 of 5.95% (June 30, 2019: interest at prime rate plus 2.00%, effective rate of 5.95%), maturing in November 2021, secured by a first rank hypothec on the universality of all present and future assets ^{(a) (b) (c)}	30,169	25,041
Loan authorized for an amount of \$2,500, bearing interest at prime rate plus 4.50%, effective rate as at December 31, 2019 of 8.45% (June 30, 2019: bearing interest at prime rate plus 4.50%, effective rate of 8.45%), payable in monthly instalments of \$52 as from June 2017, maturing in May 2021, secured by a second rank hypothec on the universality of all present and future assets ^(b)	881	1,192

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six month periods ended December 31, 2019 and 2018

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

(Unaudited)

7. LONG-TERM DEBT (continued)

	December 31 2019	June 30 2019
	\$	\$
Loan authorized for an amount of \$6,689 (US\$5,150), bearing interest at prime rate plus 2.75%, effective rate as at December 31, 2019 of 7.50% (June 30, 2019: bearing interest at prime rate plus 2.75%, effective rate of 8.25%), payable in monthly instalments of \$126 (US\$97) (June 30, 2019 : \$58 (US\$45)) as from May 2019, maturing in January 2024, secured by a third rank hypothec on the universality of all present and future assets ^(d)	6,027	3,192
Loans, bearing interest at rates of 0%, payable in monthly instalments of \$16, maturing in August 2023	716	-
Finance leases, bearing interest between 4.50% and 5.99% (June 30, 2019), maturing in July 2021 ^(e)	-	151
	37,793	29,576
Current portion	(2,359)	(1,400)
	35,434	28,176

(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 \$257 (\$286 as at June 30, 2019), representing financing fees, has been netted against the long-term debt. This amount is being amortized to earnings over the term of the debt, using the effective interest method.

(c) On June 28, 2019, the Company signed an amendment to the Third Amended and Restated Credit Agreement with National Bank of Canada, consisting of a revolving credit facility in the amount of \$35,000 along with a revolving credit facility in an unused amount of US\$5,000 as at June 30, 2019, that will expire November 2, 2021.

(d) On December 20, 2018, the Company entered into a loan agreement for a term loan in a principal amount of up to US\$5,150. The initial drawdown of US\$2,575 received on January 21, 2019 was used to reduce the credit facility described above. The second drawdown of US\$2,575 was received on October 9, 2019 and was used to pay the balance payable related to a business combination on December 23, 2019.

(e) On July 1, 2019, with the adoption of IFRS 16, the balance of the finance leases was reclassified in the lease liabilities.

Under the terms of the long-term debt agreements, the Company must satisfy certain restrictive covenants as to minimum financial ratios (Note 9). As at December 31, 2019, the Company was compliant with its financial covenants (June 30, 2019: the Company was compliant with its financial covenants).

As at December 31, 2019, the prime rate in Canada was 3.95% for Canadian loans (3.95% as at June 30, 2019) and the prime rate in United States was 4.75% for US loans (5.50% as at June 30, 2019).

As at December 31, 2019, principal payments required in the next years are as follows:

	\$
Within one year	2,359
Later than one year and no later than five years	35,691
	38,050

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six month periods ended December 31, 2019 and 2018

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

(Unaudited)

7. LONG-TERM DEBT (continued)

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

As at December 31, 2019 \$000s	Total	Within one year	Later than one but no later than five years
	\$	\$	\$
CAN	31,766	820	30,946
US (US\$4,640)	6,027	1,539	4,488
	37,793	2,359	35,434

8. LEASE LIABILITIES

Lease payments required in the next years are as follows:

	December 31 2019 \$
Within one year	3,202
Later than one year and no later than five years	943
Later than five years	811
	4,956
Less: discounting impact	(572)
Present value of lease payments	4,384

Lease liabilities are included in the interim condensed consolidated financial position as follows :

	\$
Current portion	3,078
Non-current portion	1,306
	4,384

9. CAPITAL MANAGEMENT

The Company includes long-term debt, lease liabilities, balance payable related to a business combination, share capital, equity settled reserve, retained earnings, accumulated other comprehensive loss and cash and equivalents in its definition of capital.

The Company's capital structure is as follows:

	December 31 2019 \$	June 30 2019 \$
Long-term debt	37,793	29,576
Lease liabilities	4,384	-
Balance payable related to a business combination	-	3,370
Share capital	58,857	58,857
Equity settled reserve	1,296	1,486
Retained earnings	16,053	16,971
Accumulated other comprehensive loss	(1,985)	(738)
Cash and equivalents	(1,445)	(2,480)
	114,953	107,042

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six month periods ended December 31, 2019 and 2018

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

(Unaudited)

9. 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 December 31, 2019, as mentioned in Note 7, the Company complied with its covenants (June 30, 2019: 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.

10. SHARE CAPITAL

Authorized, an unlimited number of common and preferred shares:

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

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

	Six-month period ended December 31, 2019		Year ended June 30, 2019	
	Number of shares	\$	Number of shares	\$
Common shares				
Balance, beginning of the period	37,021,756	58,857	36,147,119	57,207
Shares issued:				
Business combination	-	-	861,637	1,632
For share options exercised	-	-	13,000	18
Balance, end of the period	37,021,756	58,857	37,021,756	58,857

Net loss per share

Diluted net 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 2019 and 2018, shares options are not included in the computation of diluted net loss per share as their inclusion would be anti-dilutive.

	December 31 2019 (3 months)	December 31 2018 (3 months)	December 31 2019 (6 months)	December 31 2018 (6 months)
Net loss per share - basic and diluted				
Net loss attributable to common shareholders	\$ (2,357)	\$ (1,640)	\$ (1,257)	\$ (1,281)
Weighted average basic number of common shares outstanding	37,021,756	36,905,734	37,021,756	36,526,427
Net loss per share - basic and diluted	\$ (0.06)	\$ (0.04)	\$ (0.03)	\$ (0.03)

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six month periods ended December 31, 2019 and 2018

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

(Unaudited)

10. SHARE CAPITAL (continued)

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

	December 31, 2019 (6 months)		December 31, 2018 (6 months)	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding at the beginning of the period	2,960,500	1.52	2,496,500	1.48
Granted during the period	696,000	0.90	500,000	1.73
Cancelled during the period	(386,000)	2.26	-	-
Outstanding at end of the period	3,270,500	1.30	2,996,500	1.52
Exercisable at end of the period	1,672,769	1.35	1,509,735	1.49

On December 4, 2019, 696,000 share options have been granted to employees and directors giving the option to purchase a common share for an exercise price of \$0.90 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 as at December 31, 2019:

Range of exercise price \$	Outstanding at December 31, 2019	Weighted average remaining life (years)	Weighted average exercise price \$	Exercisable at December 31, 2019	Weighted average exercise price \$
0.50 - 1.49	1,885,500	3.14	0.88	940,100	0.92
1.50 - 2.49	1,385,000	3.59	1.86	732,669	1.90
	3,270,500			1,672,769	

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

	Granted in December 2019	Granted in December 2018
Risk-free interest rate	1.46%	2.41%
Expected life (years)	3	3
Expected volatility (based on historical volatility)	36.11%	39.77%
Expected dividend yield	0%	0%
Fair value of options granted	\$0.26	\$0.55

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six month periods ended December 31, 2019 and 2018

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

(Unaudited)

10. SHARE CAPITAL (continued)

During the periods mentioned below, the total expense related to share-based compensation to employees and directors has been recorded and presented in general and administrative expenses as follows:

	December 31 2019 (3 months)	December 31 2018 (3 months)	December 31 2019 (6 months)	December 31 2018 (6 months)
Expense related to share-based compensation	\$ 72	\$ 75	\$ 149	\$ 149

11. INCOME TAXES

The tax rates prescribed by the applicable laws were at 26.55% in 2020 and at 26.65% in 2019.

	December 31 2019 (3 months)	December 31 2018 (3 months)	December 31 2019 (6 months)	December 31 2018 (6 months)
Loss before income taxes	\$ (2,487)	\$ (2,040)	\$ (813)	\$ (1,233)
Statutory rates	26.55%	26.65%	26.55%	26.65%
Income taxes based on statutory rates	(660)	(536)	(216)	(321)
Decrease of income taxes due to the following:				
Non-deductible expenses	18	13	36	23
Non-deductible share-based compensation expense	19	20	39	40
Difference of income tax rates between territories	32	12	43	17
Withholding taxes	147	74	280	231
Income tax assets unrecognized	287	-	369	-
Non-taxable portion of capital gain	(6)	-	(11)	-
Prior years adjustments	-	(9)	(80)	(9)
Other	33	26	(16)	67
Total income tax expense	(130)	(400)	444	48

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six month periods ended December 31, 2019 and 2018

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

(Unaudited)

12. ADDITIONAL INFORMATION RELATING TO THE STATEMENTS OF CASH FLOWS

Changes in non-cash operating working capital items:

	December 31 2019 (3 months)	December 31 2018 (3 months)	December 31 2019 (6 months)	December 31 2018 (6 months)
	\$	\$	\$	\$
Trade and other receivables	6,667	801	9,244	1,350
Inventories	(671)	80	(8,203)	(3,880)
Prepaid expenses	102	(52)	138	31
Trade and other payables	(6,423)	(5,479)	(4,139)	(5,084)
	(325)	(4,650)	(2,960)	(7,583)

13. COMMITMENTS AND GUARANTEES

Commitments

The Company has entered into lease agreements expiring between 2020 and 2021 which call for lease payments of \$314 for the rental of offices and \$6 for the rental of vehicles. None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions. The lease payments under these lease agreements for the next two years amount to \$215 for 2020 and \$105 for 2021.

Guarantees

For the six-month period ended December 31, 2019, the Company issued some bank guarantees in favor of customers for a total amount of \$812 (for the six-month period ended December 31, 2018: \$929), maturing between February and August 2020. For the six-month periods ended December 31, 2019 and 2018, the Company has not made any payments in connection with these guarantees.

14. RELATED AND ASSOCIATE PARTY TRANSACTIONS

Transactions with related parties

The Company is related to Dynamitage Castonguay Ltd., a company in which a director has an interest.

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

	December 31 2019 (3 months)	December 31 2018 (3 months)	December 31 2019 (6 months)	December 31 2018 (6 months)
	\$	\$	\$	\$
Revenues	18	44	32	161
Expenses	37	41	75	78

As at December 31, 2019, an amount of \$10 was receivable resulting from these transactions (June 30, 2019: \$59).

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six month periods ended December 31, 2019 and 2018

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

(Unaudited)

14. RELATED AND ASSOCIATE PARTY TRANSACTIONS (continued)

Transactions with associate parties

The Company entered into the following transactions with its associate parties:

	December 31 2019 (3 months)	December 31 2018 (3 months)	December 31 2019 (6 months)	December 31 2018 (6 months)
	\$	\$	\$	\$
Revenues	4,773	5,013	11,481	12,476

As at December 31, 2019, trade and other receivables included an amount receivable of \$640 from one of the Company's associates (June 30, 2019: \$1,672).

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.

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 for the three and six month periods ended December 31, 2019 amounted to \$313 and \$818 (\$315 and \$1,171 for the three and six month periods ended December 31, 2018).

15. 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.

Fair value

The fair value of cash and equivalents, trade and other receivables, trade and other payables and balance payable related to a business combination 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.

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six month periods ended December 31, 2019 and 2018

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

(Unaudited)

15. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

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

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

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

As at December 31, 2019, the investments are measured at fair value and are classified as a Level 1 financial instrument as their fair value is determined using quoted prices in the active markets.

As at December 31, 2019	Carrying value	Fair value	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$
Financial assets measured at amortized cost					
Cash and cash equivalents	1,445				
Trade and other receivables	27,399				
Financial assets measured at fair value					
Investments	420	420	420		
Financial liabilities measured at amortized cost					
Trade and other payables	20,472				
Long-term debt	37,793				
Lease liabilities	4,384				
<hr/>					
As at June 30, 2019	Carrying value	Fair value	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$
Financial assets measured at amortized cost					
Cash and cash equivalents	2,480				
Trade and other receivables	36,643				
Financial assets measured at fair value					
Investments	419	419	419		
Financial liabilities measured at amortized cost					
Trade and other payables	24,744				
Balance payable related to a business combination	3,370				
Long-term debt and finance leases	29,576				

There were no transfers of amounts between Level 1, Level 2 and Level 3 financial instruments for the three and six month period ended December 31, 2019.

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six month periods ended December 31, 2019 and 2018

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

(Unaudited)

16. SEGMENTED INFORMATION

The Company is separated into two geographical reportable segments: Canada and International (US, Central and South America and West Africa). 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 to be 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 operations.

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

	December 31 2019 (3 months)	December 31 2018 (3 months)	December 31 2019 (6 months)	December 31 2018 (6 months)
Contract revenue	\$	\$	\$	\$
Canada	28,594	23,572	64,026	52,679
International ⁽¹⁾	9,695	10,128	17,545	18,292
	38,289	33,700	81,571	70,971
(Loss) earnings from operations				
Canada	(105)	(2,500)	5,202	(517)
International	(517)	1,950	(2,139)	2,754
	(622)	(550)	3,063	2,237
General and corporate expenses ⁽²⁾	1,165	1,009	2,472	2,582
Finance costs	700	481	1,404	888
Income tax expense	(130)	(400)	444	48
	1,735	1,090	4,320	3,518
Net loss	(2,357)	(1,640)	(1,257)	(1,281)

⁽¹⁾ The International operating segment included

Chilean revenue as follows :	5,617	6,240	9,243	12,937
------------------------------	-------	-------	-------	--------

⁽²⁾ General and corporate expenses include expenses for corporate offices, share options and certain unallocated costs.

Depreciation and amortization				
Canada	1,539	1,527	2,985	2,993
International	857	695	1,690	1,225
Total depreciation and amortization included in (loss) earnings from operations	2,396	2,222	4,675	4,218
Unallocated and corporate assets	434	230	839	469
Total depreciation and amortization	2,830	2,452	5,514	4,687

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six month periods ended December 31, 2019 and 2018

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

(Unaudited)

16. SEGMENTED INFORMATION (continued)

	As at		As at	
	December 31, 2019		June 30, 2019	
	\$		\$	
Identifiable assets				
Canada		93,233		92,307
Chile		16,411		15,486
International - Other		27,403		26,902
		137,047		134,695
Property, plant and equipment				
Canada		30,052		29,567
Chile		3,893		4,286
International - Other		8,753		8,597
		42,698		42,450
Right-of-use assets				
Canada		334		-
Chile		2,619		-
International - Other		1,258		-
		4,211		-
Intangible assets				
International - Other		771		1,000
	December 31	December 31	December 31	December 31
	2019	2018	2019	2018
	(3 months)	(3 months)	(6 months)	(6 months)
	\$	\$	\$	\$
Non-current assets acquisitions				
Canada	3,022	1,242	5,207	3,295
International	114	6,134	712	6,449
Unallocated and corporate assets	71	240	148	435
	3,207	7,616	6,067	10,179