FORAGE ORBIT GARANT DRILLING

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR END AND FOURTH QUARTER FISCAL 2020

September 28, 2020

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, 2020 ("Fiscal 2020") and June 30, 2019 ("Fiscal 2019") and the notes thereto which are available on the SEDAR website at www.sedar.com.

The Company's Fiscal 2020 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 28, 2020. 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. They are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Risks and uncertainties that could cause actual results, performance or achievements to differ materially include the ability of the jurisdictions in which the Company operates to manage and cope with the implications of COVID-19, the impact of measures taken by such jurisdictions to control the spread of COVID-19 on the Company's operations, and the economic and financial implications of COVID-19 to the Company.

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 28, 2020, accessible via www.sedar.com.

COVID-19

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak to be a global pandemic. Governments responded by implementing emergency measures to minimize the spread of the virus, including the temporary shutdown of businesses deemed to be non-essential. These measures caused significant economic disruption, as well as volatility in equity markets, commodity prices and foreign exchange rates.

Orbit Garant's operations were significantly impacted by these measures beginning late in its fiscal 2020 third quarter ("Q3 FY2020"), as a number of its drilling projects were put on hold or postponed. In Quebec, as a result of the provincial government's order to minimize non-essential business activity, the Company's operations were suspended from March 24, 2020 until April 20, 2020, at which time they were permitted to resume in a gradual and supervised manner. In addition, drilling activity on certain projects in Nunavut Territory and Ontario was temporarily reduced or suspended. Orbit Garant's international drilling operations were also affected, either as a result of government restrictions on certain business activities, or customer decisions to reduce or delay certain projects in this challenging environment.

Orbit Garant considers the health and safety of its personnel, customers, suppliers, and the communities in which it operates to be a top priority. The Company has implemented precautionary health and safety measures across its operations, based on the recommendations, or directives, issued by the public health authorities and governments in the various jurisdictions in which the Company operates.

Management has taken several measures to mitigate the economic impact of COVID-19 on its business and operations. To ensure Orbit Garant's continuing ability to meet its financial and contractual obligations, the Company has: (i) applied for government grants and subsidies made available by various governments in response to COVID - 19; (ii) reworked its cost structure and postponed non-essential expenses; (iii) made arrangements with Export Development Canada ("EDC") to temporarily suspend principal and interest payments on its loans from EDC until October 2020 (see Note 16 in the FY2020 Financial Statements); and (iv) made arrangements with National Bank of Canada ("National Bank") to modify the covenants in its senior credit facility (the "Credit Facility"). The Company believes that as a result of these measures it will continue to meet its obligations under its credit facilities and have sufficient resources to carry on its business operations.

Operationally, the Company has undertaken multiple initiatives to reduce costs and manage its liquidity position during this period of reduced drilling activities. These include lower purchases of inventory items and a program to progressively reduce overall inventory levels. Importantly, these measures were implemented without impacting the Company's ability to ramp up its business. In addition, effective April 1, 2020, Orbit Garant's Management and Directors agreed to take a temporary 15% reduction in their remuneration to further support the Company.

In its Fiscal 2020 fourth quarter ("Q4 FY2020"), Orbit Garant recorded a benefit related to the Canadian Emergency Wage Subsidy ("CEWS") program in the amount of $3.6 million, of which $3.2 million was recognized as a reduction of cost of contract revenue and $0.4 million was recognized as a reduction of general and administrative expenses.

The long-term impact of COVID-19 is unknown. While Management is encouraged to see provincial and federal governments in Canada and the governments of other jurisdictions where Orbit Garant operates now gradually re-opening their respective economies, it is uncertain if or when the Company's drilling activity will reach pre-pandemic levels. Management will continue to monitor the situation carefully. As part of its business continuity plan, Orbit Garant continues to manage its variable cost structure and cash to support its reduced level of operations during this period along with reduced capital expenditures while maintaining the flexibility required to resume more normalized operations as more COVID-19 related restrictions are lifted, customer drilling projects are resumed or ramped up and general economic conditions improve.

FISCAL 2020 SUMMARY

- Revenue totalled $137.8 million, compared to $152.8 million in Fiscal 2019
- Gross margin was 9.4%, compared to 10.7% in Fiscal 2019
- Adjusted gross margin(1) (excluding depreciation expense) was 16.3%, compared to 16.4% in Fiscal 2019
- EBITDA(1) totalled $6.8 million, compared to $8.3 million in Fiscal 2019
- Net loss was $7.4 million, compared to net loss of $3.5 million in Fiscal 2019
- Metres drilled totalled 1,297,838, compared to 1,427,587 metres drilled in Fiscal 2019

(1) See Reconciliation of non-IFRS Financial Measures

CORPORATE OVERVIEW

Orbit Garant (TSX: OGD) is one of the largest Canadian-based mineral drilling companies, with 231 drill rigs and more than 1,100 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, Argentina, Kazakhstan, Burkina Faso, Ghana and Liberia. The Company has established international operating subsidiaries in: Winnemucca (Nevada), U.S.A.; 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 2020:

- Specialized drilling services, which typically generate a higher gross margin than conventional drilling services, accounted for approximately 45% of the Company's total revenue, compared to 55% in Fiscal 2019.
- Approximately 66% of the Company's revenues were generated by gold related operations, and approximately 34% were generated by base metal related and other operations.
- Surface and underground drilling services accounted for approximately 60% and 40%, respectively, of the Company's revenue.
- Approximately 83% of Orbit Garant's revenue was generated from major and intermediate mining company projects, compared to 88% in Fiscal 2019. Orbit Garant's drilling contracts with major and intermediate customers are typically from one to five years in length.
- Approximately 79% of Orbit Garant's revenue was generated from domestic drilling projects, and approximately 21% was generated from international drilling contracts.

CONTINGENCIES

The Company is subject to various claims that arise in the normal course of business. Management believes that adequate provisions have been made in the accounts where appropriate. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies will not have a material adverse effect on the financial position of the Company.

In June 2020, a claim by a financial institution (the "Claimant") for damages against a subsidiary of the Company in the amount of 843.7 million West African Francs ("XOF") ($1.97 million) was confirmed by a court in Burkina Faso. This claim relates to an amount of XOF 8.6 million ($0.02 million) owed by the Company's subsidiary to a supplier, which was indebted to the Claimant. The Company vigorously disputes this claim and has filed an appeal. Based on legal advice, management believes that the claim is unfounded, and that the appeal will be successful.

In August 2020, an amount of XOF 266.8 million ($0.62 million) was required to be deposited in a restricted cash account by the Company's financial institution in Burkina Faso at the request of the Claimant. The Claimant also threatened to seize certain business assets of the Company's subsidiary in order to satisfy its claim. Although management expects to be successful in its appeal, in September 2020 the Company drew from its Credit Facility and deposited cash in the amount of XOF 576.8 million ($1.35 million) with its financial institution in Burkina Faso, in order to prevent the seizure of some of its assets and prevent any business disruption to the Company and its subsidiary, pending resolution of the Company's appeal. Management expects to recover these deposited amounts at the time the appeal is confirmed as successful, or earlier if certain conditions are met.

Nonetheless, given the original claim was confirmed by the court, the Company recorded a provision of XOF 871.5 million ($2.03 million) in Q4 FY2020 for this claim and additional legal fees. If and when the facts and circumstances change (including if the Company is successful in its appeal), the liability recognized will be revised in the period in which the change occurs.

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, and the acquisition of the drilling business of Projet Production International BF S.A. ("PPI") in Ouagadougou, Burkina Faso in October 2018;
- 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.

The price of gold has increased significantly in the last 12 months, with the spot price reaching a record high of approximately US$2,075 per ounce in August 2020. At the time of this report, the spot price of gold was approximately US$1,881 per ounce, representing an increase of approximately 26% compared to a year ago and an increase of approximately 79% from its trailing five-year price low in late 2015.

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. The spot price of copper is higher compared to 12 months ago, the spot prices of aluminum and zinc are similar to 12 months ago, and the spot prices of lead and nickel are lower compared to 12 months ago. The spot price for copper, the metal widely considered to be the most sensitive to macroeconomic activity, was approximately US$2.60 per pound a year ago and at the time of this report was approximately US$2.98 per pound, an increase of 15%. The spot prices of copper and nickel are currently above the mid-points of their respective trailing five-year-price ranges, while the spot prices of aluminum, lead and zinc are currently below the mid-points of their respective trailing five-year price ranges.

Iron Ore

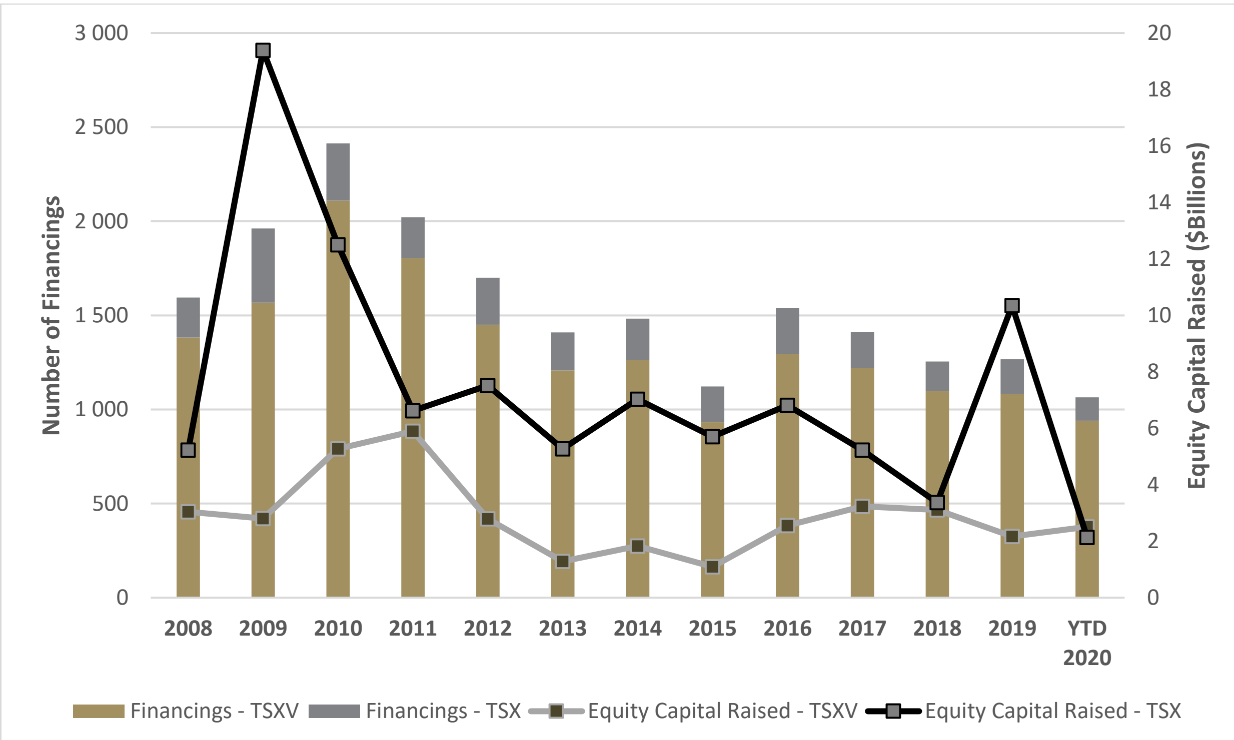
Iron ore prices are determined by the global demand for steel, as more than 95% of mined iron ore is used to make steel. As both the world's largest consumer and producer of steel, China is widely regarded as having the most influence on global iron ore market prices. Continuing urbanization of the world's 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$124 per tonne, compared to approximately US$92 per tonne one year ago. The spot price of iron ore is currently near a five-year high.

Market Participants

The mining sector began to recover from a prolonged downturn in early 2016. Metal prices increased, driving higher mining equity valuations and increased financing activity. While the mining sector as a whole is currently in a stronger position compared to the start of the recovery, the stock performance of gold mining companies has outperformed base metal companies during the last 12 months as the price of gold increased to record levels. The S&P/TSX Global

Gold Index increased approximately 49% in the last 12 months (September 27, 2019 to September 28, 2020), while the S&P/TSX Global Base Metals Index increased approximately 6% in the same period. During March 2020, base metal prices declined sharply as the COVID-19 pandemic negatively impacted the global economy. However, prices have subsequently recovered from those lows.

TSX / TSX-V Mining Sector Financings (2008 to the eight months ended August 31, 2020)



Mining financing activity in the Canadian capital markets was stronger during the first eight calendar months of 2020 compared to the same period in 2019. According to TMX Group, mining companies listed on the Toronto Stock Exchange ("TSX") and the TSX-Venture Exchange ("TSX-V") completed 1,064 financings in the first eight months of 2020 that raised a cumulative $4.6 billion of equity capital. In the same period in 2019, these firms completed 802 financings that raised $3.3 billion of equity capital. The total number of mining financings completed in the first eight months of 2020 on the TSX and TSX-V was also higher than the comparable periods in 2018 and 2017, but the amount of total equity capital raised was lower. There were 849 mining financings that raised $5.0 billion of equity capital in the first eight months of 2018, and 947 mining financings that raised $4.9 billion in the first eight months of 2017, according to TMX Group.

A report from S&P Global Market Intelligence Metals and Mining Research (August 2020) stated that global mining financing for junior and intermediate companies totaled US$1.13 billion in July 2020, the highest level in 11 months. Junior and intermediate gold companies raised US$740 million during July 2020, which was a 14-month high. S&P noted that financing for junior and intermediate mining companies began to recover in May 2020 after a slow start to the year.

Beginning in March 2020, global mining exploration activity declined significantly due to government restrictions that were implemented to reduce the spread of COVID-19. However, activity rebounded during the late spring and summer. According to S&P Global Market Intelligence Metals and Mining Research (August 2020), drilling results were reported from 220 projects in July 2020, an increase of 18% from 186 projects in the prior month. Results were reported from 152 projects in March 2020, the lowest monthly level of the year.

OVERALL PERFORMANCE

Revenue for the Fiscal year ended June 30, 2020 totalled $137.8 million, compared to $152.8 million in Fiscal 2019.

Gross margin percentage for Fiscal 2020 was 9.4%, compared to 10.7% for Fiscal 2019.

Drilling volume in Fiscal 2020 was 1,297,838 metres, compared to 1,427,587 metres drilled in Fiscal 2019.

The Company recorded a net loss of $7.4 million, or $0.20 per share, for Fiscal 2020, compared to net loss of $3.5 million, or $0.09 per share, for Fiscal 2019. Earnings before interest, taxes, depreciation and amortization ("EBITDA" – see Reconciliation of non-IFRS financial measures) totalled $6.8 million in Fiscal 2020, compared to $8.3 million in Fiscal 2019. The $2.0 million provision for litigation in Burkina Faso, as discussed above, combined with the year-over-year decrease in revenue and gross margin contributed the decline in EBITDA and the increased net loss in Fiscal 2020.

Results of operations for the year ended June 30, 2020

FISCAL YEARS ENDED JUNE 30 * ($millions)		Fiscal 2020	Fiscal 2019	2020 vs. 2019 Variance
Revenue *		**137.8**	152.8	**(15.0)**
Gross profit *		**12.9**	16.3	**(3.4)**
Gross margin (%)		**9.4**	10.7	**(1.3)**
Adjusted gross margin (%) (1)		**16.3**	16.4	**(0.1)**
Net earnings (loss) *		**(7.4)**	(3.5)	**(3.9)**
Net earnings (loss) per common share	**- Basic ($)**	**(0.20)**	(0.09)	**(0.11)**
	- Diluted ($)	**(0.20)**	(0.09)	**(0.11)**
EBITDA * (2)		**6.8**	8.3	**(1.5)**
Metres drilled		**1,297,838**	1,427,587	**(129,749)**

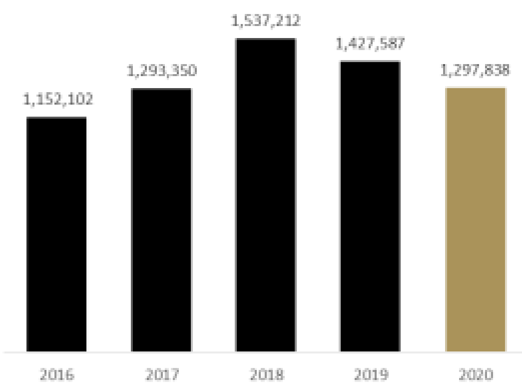
(1) Reflects gross margin, excluding depreciation expenses. See "Reconciliation of non-IFRS financial measures"
(2) EBITDA = Earnings before interest, taxes, depreciation and amortization. See "Reconciliation of non-IFRS financial measures."

Beginning in mid-March 2020, the Company's operations were negatively impacted by the COVID-19 pandemic, as activity on some projects was reduced, while other projects were suspended. The pandemic impacted all regions in which the Company operates. In Quebec, all drilling activity was suspended between March 24, 2020 and April 20, 2020 as a result of the provincial government's order to minimize non-essential business activity. In addition, drilling activity on certain projects in Nunavut Territory, Ontario, and the Company's international operations was reduced or temporarily suspended. The Company's drilling activities gradually resumed or ramped up in Q4 FY2020 but did not reach pre-pandemic levels.

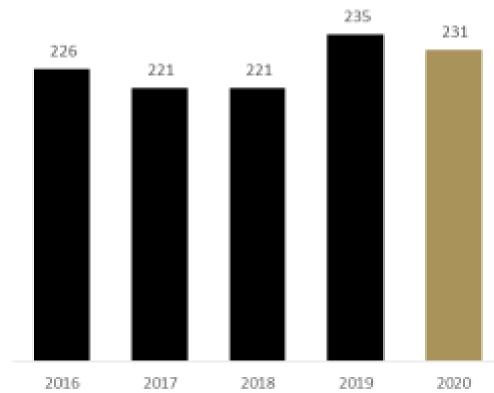
During Fiscal 2020, Orbit Garant drilled 1,297,838 metres, compared to 1,427,587 metres drilled in Fiscal 2019. Average revenue per metre drilled in Fiscal 2020 was $105.53, compared to $106.74 in Fiscal 2019. The decrease in average revenue per metre drilled is primarily attributable to a lower proportion of specialized international drilling activity, which is priced at a higher rate than the conventional drilling. The Company recorded $3.6 million in financial aid from the Government of Canada through the CEWS program in Q4 FY2020, of which $3.2 million was recognized as a reduction of cost of contract revenue and $0.4 million was recognized as a reduction of general and administrative expenses.

The Company had 231 drill rigs as at June 30, 2020, compared to 235 drill rigs at the end of Fiscal 2019. During Fiscal 2020, Soudure Royale manufactured five new computerized drill rigs and two conventional drill rigs, while nine conventional drill rigs were dismantled and two were sold. Orbit Garant currently has 43 drill rigs outfitted with computerized monitoring control technology.

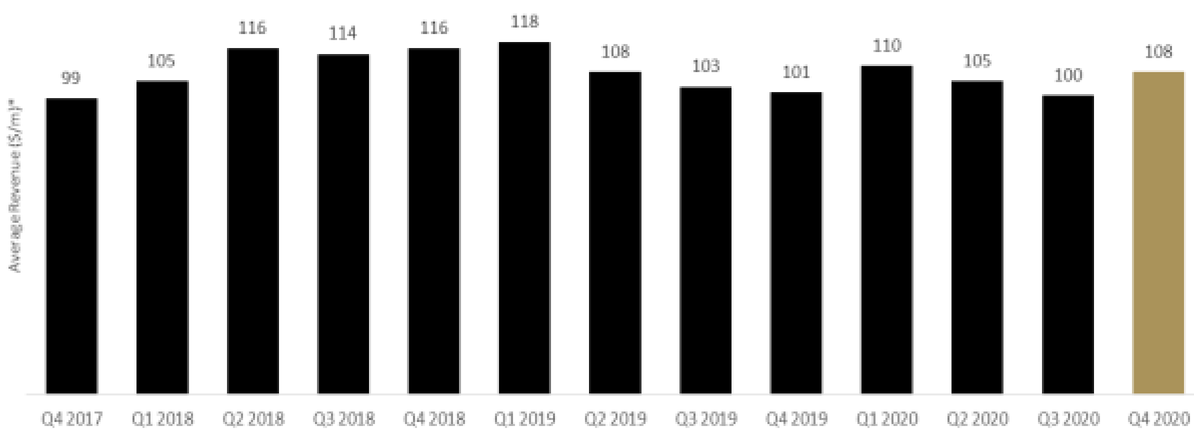
Metres Drilled



Number of Drills



Average Revenue per Metre Drilled



* Figures are rounded to the nearest dollar.

SELECTED ANNUAL FINANCIAL INFORMATION

For the years ended June 30 *($millions)	Fiscal 2020	Fiscal 2019	Fiscal 2018
Contract revenue			
Drilling Canada *	**109.0**	109.5	120.9
Drilling International *	**28.8**	43.3	52.2
Total *	**137.8**	152.8	173.1
Gross profit *	**12.9**	16.3	21.5
Gross margin (%)	**9.4**	10.7	12.4
Adjusted gross margin (%) (1)	**16.3**	16.4	17.0
Net earnings (loss) *	**(7.4)**	(3.5)	4.5
Net earnings (loss) per common share ($)	**(0.20)**	(0.09)	0.12
Net earnings (loss) per common share diluted ($)	**(0.20)**	(0.09)	0.12
Total assets *	**129.8**	134.7	123.3
Long-term debt including current portion *	**37.4**	29.6	20.0
Lease liabilities including current portion*	**4.0**	-	-
EBITDA * (2)	**6.8**	8.3	14.7
EBITDA % (2)	**4.9**	5.4	8.5
Total metres drilled (million)	**1.3**	1.4	1.5

(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 2020 COMPARED TO FISCAL 2019

Contract Revenue

Revenue in Fiscal 2020 totalled $137.8 million, compared to $152.8 million in Fiscal 2019. The decrease in revenue was primarily attributable to a decline in drilling activities in Canada and internationally due to the impact of the COVID-19 pandemic starting in mid-March 2020, which resulted in reduced drilling activities on certain customer projects and the temporary shutdowns of others. Prior to the COVID-19 pandemic, revenue was higher in Fiscal 2020 compared to Fiscal 2019, due to increased drilling activity in Canada, partially offset by a slight decline in international drilling activity.

Canada revenue was $109.0 million in Fiscal 2020, a decrease of $0.5 million, or 0.4%, from $109.5 million in Fiscal 2019. The decrease was primarily attributable to a significant decline in metres drilled starting in mid-March 2020 due to the pandemic.

International revenue totalled $28.8 million in Fiscal 2020, compared to $43.3 million in Fiscal 2019, a decrease of $14.5 million, or 33.6%. International includes $15.4 million in revenue from Chile in Fiscal 2020, compared to $26.1 million in Fiscal 2019. The decrease in international revenue is attributable to the conclusion of a multi-year drilling contract in Chile at the beginning of the fourth quarter of Fiscal 2019 ("Q4 FY2019") and the negative impact of the pandemic.

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

Gross profit for Fiscal 2020 was $12.9 million, compared to $16.3 million in Fiscal 2019. Gross margin was 9.4% compared to 10.7% in Fiscal 2019. Depreciation expenses totalling $9.5 million are included in cost of contract revenue for Fiscal 2020, compared to $8.8 million in Fiscal 2019. Adjusted gross margin, excluding depreciation expenses, was 16.3% in Fiscal 2020, compared to 16.4% in Fiscal 2019. The decrease in gross profit and gross margin was primarily attributable to the impact of the COVID-19 pandemic and a decline in international specialized drilling activity, partially offset by increased drilling activity in Canada prior to the onset of the COVID-19 pandemic in mid-March 2020. In Q4 FY2020, the cost of contract revenue was reduced by $3.2 million as a result of financial support recorded from the CEWS program.

General and Administrative Expenses

General and administrative (G&A) expenses were $15.4 million representing 11.2% of revenue in Fiscal 2020 (including depreciation of right-of-use assets of $0.4 million), compared to $17.3 million representing 11.3% of revenue in Fiscal 2019. The decrease in G&A expenses primarily reflects the $1.1 million of acquisition and integration costs related the acquisition of the drilling business of PPI in Q2 FY2019, a $0.4 million reduction in G&A expenses in Q4 FY2020 resulting from the CEWS program, and cost saving measures implemented in the second half of Fiscal 2020.

Operating Results

Earnings from operations for Fiscal 2020 were $1.2 million, compared to $3.5 million in Fiscal 2019. As discussed above, the decline in drilling activities due to the impact of the COVID-19 pandemic starting in mid-March 2020, negatively affected the earnings from operations.

Drilling Canada's operating earnings in Fiscal 2020 totalled $6.7 million, compared to an operating loss of $2.9 million in Fiscal 2019. The positive variance reflects improved gross margins in the first nine months of Fiscal 2020 and $3.2 million in financial support from the CEWS program recorded in Q4 FY2020.

Drilling International's operating loss in Fiscal 2020 totalled $5.5 million, compared to earnings from operations of $6.4 million in Fiscal 2019. The negative variance is primarily attributable to the impact of COVID-19 starting in mid-March 2020 and an overall decrease in specialized drilling activity for the year.

Foreign Exchange Gain (Loss)

Foreign exchange gain was $0.1 million in Fiscal 2020, compared to a foreign exchange loss of $0.7 million in Fiscal 2019.

Provision for litigation

As disclosed in the Contingency section of this MD&A, in June 2020, a claim against a subsidiary of the Company for XOF 843.7 million ($1.97 million) was confirmed by a court in Burkina Faso. The Company recorded a provision of XOF 871.5 million ($2.03 million) in Q4 FY2020 for this claim and additional legal fees. If and when the facts and circumstances change (including if the Company is successful in its appeal), the liability recognized will be revised in the period in which the change occurs.

EBITDA (see Reconciliation of non-IFRS financial measures)

Earnings before interest, taxes, depreciation and amortization ("EBITDA") totalled $6.8 million in Fiscal 2020, compared to $8.3 million in Fiscal 2019. The decline in EBITDA in Fiscal 2020 reflects the impact of the pandemic and the $2.03 million provision for litigation in Burkina Faso, as discussed above, partially offset by the Company's year-over-year increase in revenue prior to the pandemic, cost saving measures implemented in the second half of Fiscal

2020 and the $3.6 million grant recorded from the CEWS program in Q4 FY2020. EBITDA in Fiscal 2019 also reflects $1.1 million of acquisition and integration costs related to the acquisition of the drilling business of PPI in Fiscal 2019.

Financial Expenses

Interest costs related to long-term debt and bank charges were $2.7 million in Fiscal 2020, compared to $2.1 million in Fiscal 2019.

Income Tax Expense (Recovery)

Income tax expense was $0.2 million for Fiscal 2020, compared to an income tax recovery of $0.3 million for Fiscal 2019.

Net loss

The Company's net loss for Fiscal 2020 was $7.4 million, or $0.20 per share, compared to a net loss of $3.5 million, or $0.09 per share, in Fiscal 2019. The decline in drilling activities due to the impact of the COVID-19 pandemic starting in mid-March 2020 and the $2.03 million provision for litigation, as discussed above, contributed to the Company's net loss for Fiscal 2020. These factors were partially offset by the $3.6 million recorded from the CEWS program in Q4 FY2020. The Company's net loss for Fiscal 2019 included $1.1 million of acquisition and integration costs, before income taxes, related to the acquisition of the drilling business of PPI in Q2 FY2019 (or $0.8 million of acquisition and integration costs, net of income taxes).

SUMMARY ANALYSIS OF FISCAL 2019 COMPARED TO FISCAL 2018

Revenue for Fiscal 2019 totalled $152.8 million, compared to $173.1 million for the fiscal year ended June 30, 2018 ("Fiscal 2018"). Lower revenue in Fiscal 2019 was attributable to a decrease in metres drilled in Canada and Chile.

Gross profit for Fiscal 2019 was $16.3 million, compared to $21.5 million in Fiscal 2018. Gross margin for Fiscal 2019 was 10.7% compared to 12.4% in Fiscal 2018. Adjusted gross margin, excluding depreciation expenses, was 16.4% in Fiscal 2019, compared to 17.0% in Fiscal 2018. The decrease in gross profit, gross margin and adjusted gross margin was primarily attributable to lower drilling volumes in Canada, partially offset by improved gross profit and margins for international operations.

Net loss in Fiscal 2019 totalled $3.5 million, or $0.09 per share, compared to net earnings of $4.5 million, or $0.12 per share, in Fiscal 2018. Lower gross profit and margins, as discussed above, contributed to the Company's net loss for Fiscal 2019. The Company's net loss for Fiscal 2019 also includes $1.1 million of acquisition and integration costs, before income taxes, related to the acquisition of the drilling business of PPI in Q2 FY2019 (or $0.8 million for the acquisition and integration costs net of income taxes).

SUMMARY OF QUARTERLY RESULTS

* ($millions)		Fiscal 2020				Fiscal 2019			
		June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30
Contract revenue *		**20.2**	36.0	38.3	43.3	**44.4**	37.4	33.7	37.3
Gross profit (1)*		**2.3**	1.3	2.4	6.9	**4.7**	3.1	2.9	5.6
Gross margin %		**11.5**	3.5	6.3	16.0	**10.6**	8.2	8.6	15.0
Net earnings (loss) *		**(2.7)**	(3.4)	(2.4)	1.1	**(0.8)**	(1.4)	(1.7)	0.4
Net earnings (loss) per common share ($)	- Basic	**(0.08)**	(0.09)	(0.06)	0.03	**(0.02)**	(0.04)	(0.04)	0.01
	- Diluted	**(0.08)**	(0.09)	(0.06)	0.03	**(0.02)**	(0.04)	(0.04)	0.01

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

SEASONALITY

The Company's quarterly 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 often cause drilling programs to pause, or to be planned around seasonal fluctuations.

ANALYSIS OF THE FOURTH QUARTER OF FISCAL 2020 COMPARED TO THE FOURTH QUARTER OF FISCAL 2019

Contract Revenue

Revenue for Q4 FY2020 totalled $20.2 million, compared to $44.4 million for the quarter ended June 30, 2019 ("Q4 FY2019"). The decrease in revenue was primarily attributable to a global decrease in drilling activities due to the impact of the COVID-19 pandemic, resulting in reduced drilling activities of certain projects and the temporary shutdown of others.

Canada revenue totalled $16.4 million in Q4 FY2020, compared to $31.6 million in Q4 FY2019, reflecting the negative impact of the pandemic on drilling activities.

International revenue decreased to $3.8 million in Q4 FY2020, from $12.8 million in Q4 FY2019. The decrease was primarily attributable to the impact of the pandemic and to lower revenue in Chile ($2.5 million in Q4 FY2020 compared to $5.6 million in Q4 FY2019), reflecting the completion of a multi-year drilling contract at the beginning of Q4 FY2019.

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

Gross profit for Q4 FY2020 was $2.3 million, a decrease of $2.4 million from $4.7 million in Q4 FY2019. Gross margin for Q4 FY2020 was 11.5% compared to 10.6% in Q4 FY2019. Depreciation expenses totalling $2.4 million are included in the cost of contract revenue for Q4 FY2020, compared to $2.3 million in Q4 FY2019. Adjusted gross margin, excluding depreciation expenses, was 23.3% in Q4 FY2020, compared to adjusted gross margin of 15.8% in Q4 FY2019. Lower gross profit is primarily attributable to the impact of the pandemic, which resulted in a reduction of drilling activities. In Q4 FY2020, the cost of contract revenue was reduced by $3.2 million as a result of financial support recorded from the CEWS program, which positively impacted gross margin and the adjusted gross margin.

General and Administrative Expenses

G&A expenses were $2.9 million (representing 14.1% of revenue) in Q4 FY2020, compared to $4.4 million (representing 9.8% of revenue) in Q4 FY2019. G&A expenses in Q4 FY2019 included $0.2 million of acquisition and integration costs related to the Company's acquisition of the drilling business of PPI in Q2 FY2019. The Company implemented certain cost control measures following the onset of the COVID-19 pandemic that reduced G&A expenses during Q4 FY2020. The Company expects that some of these measures will result in year-over-year G&A expense reduction in future quarters. The Company's G&A expenses for Q4 FY2020 also reflect a $0.4 million reduction resulting from financial support from the CEWS program.

Operating Results

Earnings from operations for Q4 FY2020 were $0.1 million, compared to operating earnings of $1.4 million in Q4 FY2019.

Drilling Canada's operating earnings totalled $2.5 million in Q4 FY2020, compared to an operating loss of $0.6 million in Q4 FY2019. The positive variance reflects the $3.2 million in financial support that Orbit Garant recorded from the CEWS program and the Company's initiatives to reduce costs following the onset of the COVID-19 pandemic.

Drilling International's operating loss totalled $2.4 million in Q4 FY2020, compared to operating earnings of $2.0 million in Q4 FY2019. The negative variance was primarily attributable to the impact of the pandemic, as discussed above, and to a decline in specialized drilling activity.

Foreign Exchange Gain (Loss)

Foreign exchange gain was negligible in Q4 FY2020, compared to a loss of $0.4 million in Q4 FY2019.

Provision for litigation

As disclosed in the Contingency section of this MD&A, in June 2020, a claim against a subsidiary of the Company for XOF 843.7 million ($1.97 million) was confirmed by a court in Burkina Faso. The Company recorded a provision of XOF 871.5 million ($2.03 million) in Q4 FY2020 for this claim and additional legal fees. If and when the facts and circumstances change (including if the Company is successful in its appeal), the liability recognized will be revised in the period in which the change occurs.

EBITDA (see Reconciliation of non-IFRS financial measures)

EBITDA totalled $0.3 million in Q4 FY2020, compared to $2.6 million in Q4 FY2019. The impact of the pandemic and the $2.0 million provision for litigation, as discussed above, contributed to the decline in EBITDA in Q4 FY2020. EBITDA in Q4 FY2020 includes $3.6 million in financial support that the Company recorded from the CEWS program.

Financial Expenses

Interest costs related to long-term debt and bank charges were $0.6 million in Q4 FY2020, in line with Q4 FY2019.

Income Tax (Recovery)

Income tax recovery was $0.4 million in Q4 FY2020, compared to $0.2 million in Q4 FY2020.

Net Loss

Net loss for Q4 FY2020 was $2.7 million, or $0.08 per share, compared to a net loss of $0.8 million, or $0.02 per share, in Q4 FY2019. The impact of the pandemic and the $2.03 million provision for litigation, as discussed above, were the principal reasons for the increased net loss in the quarter. These factors were partially offset by the $3.6 million recorded from the CEWS program in Q4 FY2020.

EFFECT OF EXCHANGE RATE

The Company realizes portions of its business activities in the following foreign currencies: US dollars (“$US”), Chilean Pesos (“CLP”), Argentine Pesos (“ARS”) Ghanaian cedi (“GHS”) and West African Francs (“XOF”), and is thus exposed to foreign exchange fluctuations. Orbit Garant does not actively manage this risk.

As at June 30, 2020, the Company had the following amounts of cash and accounts receivable in foreign currencies and has provided the respective impact on earnings before income taxes ("EBIT"), if the corresponding foreign exchange rates were to change by plus or minus 10%:

As at June 30, 2020 *($millions)	$US	CLP	ARS	GHS	XOF
Cash*	0.6	168.6	4.1	0.2	158.4
Accounts receivable*	0.2	529.4	18.9	2.6	1,137.6
EBIT impact +/- 10%*	0	0.1	0.1	0.1	(0.2)

As at June 30, 2019 *($millions)	$US	CLP	ARS	GHS	XOF
Cash*	0.9	197.3	0	0.1	223.6
Accounts receivable*	1.8	2,961.0	0	8.4	2,180.9
EBIT impact +/- 10%*	0.2	0.4	0	0.2	0.1

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 $9.0 million in Fiscal 2020, compared to $8.5 million in Fiscal 2019.

The change in non-cash operating working capital items was an inflow of $4.6 million, compared to an outflow of $5.9 million in Fiscal 2019.The change in non-cash operating working capital in Fiscal 2020 was primarily attributable to:

- $15.8 million related to a decrease in accounts receivable and prepaid expenses, partially offset by
- $5.1 million related to an increase in inventory to support the level of operations, and
- $6.1 million related to a decrease in accounts payable.

Investing Activities

Cash used in investing activities totalled $10.1 million in Fiscal 2020, compared to $11.2 million in Fiscal 2019. During Fiscal 2020, $10.5 million was used for the acquisition of property, plant and equipment, partially offset by a cash inflow of $0.2 million on disposal of investments, plant and equipment. During 2019, $3.4 million was used for the acquisition of the drilling business of PPI and $8.3 million was used for the acquisition of property, plant and equipment, partially offset by a cash inflow of $0.4 million on disposal of investments, property, plant and equipment.

Financing Activities

During Fiscal 2020, the Company generated $3.7 million from financing activities, compared to $10.3 million in Fiscal 2019.

Orbit Garant's primary sources of liquidity are cash flow from operations and borrowings under a credit facility (the "Credit Facility") with National Bank of Canada Inc. ("National Bank"). On December 12, 2018, the Company and National Bank entered into a Third Amended and Restated Credit Agreement in respect of the Credit Facility and on June 28, 2019, the Company and National Bank entered into an amendment to the Third Amended and Restated Credit Agreement. Pursuant to the Third Amended and Restated Credit Agreement, as amended, the Credit Facility consists of a $35.0 million revolving credit facility and a US$5.0 million revolving credit facility guaranteed by EDC. The current term of the Credit Facility expires on November 2, 2021. Further amendments to the Third Amended and Restated Credit Agreement were executed in March and June of 2020 to modify certain of the financial covenants applicable to Q4 FY2020 and future quarters.

The Company withdrew a net amount of $3.2 million during Fiscal 2020 on its Credit Facility, compared to a withdrawal of $7.2 million in Fiscal 2019. The Company's long-term debt, under the Credit Facility, including US$1.0 million ($1.4 million) drawn from the US$5.0 million revolving credit facility and the current portion, was $28.7 million as at June 30, 2020, compared to $25.3 million as at June 30, 2019. The increase was incurred to support working capital requirements and the acquisition of capital assets, property, plant and equipment.

As at June 30, 2020, the Company's working capital totalled $52.1 million, compared to $55.1 million as at June 30, 2019. 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 repayment of its debt obligations. The Company's principal capital expenditures are related to the acquisition of drill rigs and property, plant and equipment.

Sources of Financing

As at June 30, 2020, the Company complied with all covenants in the Credit Facility and in the EDC Loan Agreement.

Orbit Garant's primary sources of liquidity are cash flow from operations and borrowings under its Credit Facility. As at June 30, 2020, the Company had drawn $28.7 million ($25.3 million as at June 30, 2019) under 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$5.0 million revolving credit facility are guaranteed by EDC.

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. In addition, the Credit Facility will mature on November 2, 2021.

On December 20, 2018, Orbit Garant entered into an additional loan agreement with EDC for a term loan in the principal amount of up to US$5.15 million for the purposes of financing the acquisition of certain assets of PPI that was completed on October 11, 2018 (the "EDC Loan"). Orbit Garant is required to repay this loan in 57 consecutive monthly installments commencing May 2019, and maturing January 2024. The Company's obligations under the EDC Loan, are secured by a third ranking hypothec over all of Orbit Garant's assets. On January 21, 2019, an initial drawdown of US$2.575 million was used to reduce the amount drawn from the Company's Credit Facility. Orbit Garant's long-term debt under the EDC Loan, including the current portion, amounted to $5.9 million as at June 30, 2020 ($3.2 million as at June 30, 2019). On October 9, 2019, Orbit Garant withdrew an amount of $3.4 million (US$2.575 million) to fund the final payment in connection with the acquisition of certain assets of PPI.

On April 23, 2020, the Company and EDC made arrangements whereby, among other things, all payments of principal and interest under the EDC Loan were deferred until October 16, 2020 and therefore the terms of these loans were extended by six months.

In May 2020, Orbit Garant Chile S.A., a wholly-owned subsidiary of the Company, obtained two loans totalling CLP$1,000 million (approximately $1.7 million) from Banco Scotiabank. The loans bear interest at a rate of 3.5% per annum, have a term of 36 months and are 70% guaranteed by the Chilean government as part of a government program in response to COVID-19. The loans have no capital repayments for the first six months and the interest over such period will be payable on the first instalment.

Orbit Garant believes that it will continue to meet its payment terms under its credit facilities and have sufficient resources to carry on its business operations.

As at June 30, 2020, the Company had future contractual obligations as follows:

*($000s)	Total	Less than 1 year	2-3 years	4-5 years	Subsequent years
Long-term debt *	37,621	2,174	33,833	1,614	-
Lease liabilities	3,985	2,759	334	238	654
Operating leases *	198	159	39	-	-
Total *	41,804	5,092	34,206	1,852	654

OUTSTANDING SECURITIES AS AT SEPTEMBER 28, 2020

Number of common shares	37,021,756
Number of options	3,149,000
Fully diluted	40,170,756

On December 4, 2019, the Company issued 696,000 options at an exercise price of $0.90 per share. On June 18, 2020, the Company issued 75,000 options at an exercise price of $0.50 per share. During FY2020, 576,500 options were cancelled.

RELATED PARTY TRANSACTIONS

Transactions with related parties

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

During the twelve-month periods ended June 30, 2020 and June 30, 2019, the Company entered into the following transactions with its related company and with persons related to directors:

*($000s)	12 months ended June 30, 2020	12 months ended June 30, 2019
Revenue*	54	266
Expenses*	148	151

As at June 30, 2020, a negligible amount was a receivable resulting from these transactions ($0.1 million as at June 30, 2019).

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 the 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 is as follows:

*($000s)	12 months ended June 30, 2020	12 months ended June 30, 2019
Salaries and fees *	1,504	1,877
Share-based compensation*	113	200
Total*	1,617	2,077

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The significant accounting policies are described in note 5 of the Fiscal 2020 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:

A- CRITICAL ACCOUNTING ESTIMATES

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 less estimated costs to complete the sale. Used and revised inventories are valued at 50% and 75% of cost respectively. The amount of the write-down of inventories can be reversed when the circumstances that led to the write-down charge in the past no longer exist.

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 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, 2020, the Company concluded that there were impairment indicators, and it performed an impairment test. No impairment was recognized as a result of this test. Significant management estimates are required to determine the recoverable amount of the cash-generating unit ("CGU") including estimates of future cash flows. Differences in estimates could affect whether tangible and intangible assets are in fact impaired and the dollar amount of that impairment. Significant assumptions were used by management to determine the projected revenue, operating expenses, utilization, discount rates and market pricing. Notably, these estimates were made in the context of COVID-19, an unprecedented global pandemic, resulting in a higher degree of uncertainty. Consequently, the impact on the Consolidated Financial Statements of future periods could be material.

Income taxes

The Company is subject to income taxes in various jurisdictions. Judgment 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.

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.

Leases

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.

B- JUDGMENTS

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.

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.

STANDARDS AND INTERPRETATIONS ADOPTED AND NOT YET ADOPTED

The following standards and amendments to existing standards have been adopted and not yet adopted by the Company on July 1, 2019:

A) ADOPTED
- *IFRS 16 – Leases*
- *IFRIC 23 – Uncertainty over Income Tax Treatments*
- *IAS 29 – Financial Reporting in Hyperinflationary Economies*

B) NOT YET ADOPTED
- *Amendments to IFRS 3 – Business Combinations*

Further information on these new accounting standards can be found in note 7 of the audited consolidated financial statements for Fiscal 2020.

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.

<u>EBITDA:</u>	Net earnings (loss) before interest, taxes, depreciation and amortization.
<u>Adjusted gross profit and margin:</u>	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, 2020	3 months ended June 30, 2019	12 months ended June 30, 2020	12 months ended June 30, 2019	12 months ended June 30, 2018
Net earnings (loss) for the period	**(2.7)**	(0.8)	**(7.4)**	(3.5)	4.5
Add:					
Finance costs	**0.6**	0.6	**2.7**	2.1	1.7
Income tax expense (recovery)	**(0.4)**	0.2	**0.2**	(0.3)	(0.3)
Depreciation and amortization	**2.8**	2.6	**11.3**	10.0	8.8
EBITDA	**0.3**	2.6	**6.8**	8.3	14.7

Adjusted Gross Profit and Margin

Although adjusted gross profit 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.

Reconciliation of Adjusted Gross Profit and Margin

(unaudited) (in millions of dollars)	3 months ended June 30, 2020	3 months ended June 30, 2019	12 months ended June 30, 2020	12 months ended June 30, 2019	12 months ended June 30, 2018
Contract revenue	**20.2**	44.4	**137.8**	152.8	173.1
Cost of contract revenue (including depreciation)	**17.9**	39.7	**124.9**	136.5	151.6
Less depreciation	**(2.4)**	(2.3)	**(9.5)**	(8.8)	(7.9)
Direct costs	**15.5**	37.4	**115.4**	127.7	143.7
Adjusted gross profit	**4.7**	7.0	**22.4**	25.1	29.4
Adjusted gross margin (%) (1)	**23.3**	15.8	**16.3**	16.4	17.0

(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 28, 2020. 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.

COVID-19

The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics, pandemics or other health crises, including COVID-19.

COVID-19 negatively affected the Company and its customers in the second half of Fiscal 2020, and further spreading of the infection could continue to impact customers, vendors, suppliers and other counterparties and materially impact the Company's business, operations and financial condition. The extent to which COVID-19 impacts the Company's business, including its operations and the market for its securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of the outbreak and the actions taken to contain or resolve the COVID-19 outbreak. In particular, the continued spread of COVID-19 or a resurgence of infections in jurisdictions that have previously controlled the pandemic could result in a slowdown or temporary suspension in operations or a re-imposition of restrictions on the operation of non-essential services.

The risks to the Company's business include, without limitation, the risk of breach of material contracts and customer agreements, employee health, workforce productivity, increased insurance premiums, limitations on travel, the availability of industry experts and personnel, prolonged restrictive measures put in place in order to control an outbreak of contagious disease or other adverse public health developments in Canada or any of the markets in which Orbit Garant operates and other factors that will depend on future developments beyond the Company's control, which may have a material and adverse effect on the Company's business, financial condition and results of operations.

There can be no assurance that Orbit Garant will not ultimately see its workforce productivity reduced or that the Company will not incur increased medical costs / insurance premiums as a result of these health risks. Under the circumstances, the Company or its customers, suppliers and other counterparties may be forced to declare force majeure on certain contracts. In addition, the coronavirus pandemic could adversely affect global economies and financial markets resulting in an economic downturn that could have an adverse effect on the demand for drilling services, the Company's prospects and its ability to achieve its objectives. Orbit Garant continues to monitor the situation and the impact COVID-19 may have on its business.

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, legal, 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 from 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.

Tax Risks

Orbit Garant operates in many countries and is therefore subject to many different forms of taxation in various jurisdictions throughout the world, including but not limited to, property tax, income tax, withholding tax, commodity tax, social security and other payroll related taxes, foreign currency and capital repatriation laws. An unfavorable interpretation of the current tax legislation could have a material adverse effect on the profitability of the Company or may lead to disagreements with tax authorities regarding the interpretation of tax law.

Tax law and its administration are extremely complex and often require the Company to make subjective determinations. The Company must make assumptions about, but not limited to, the tax rates in various jurisdictions, the effect of tax treaties between jurisdictions and taxable income projections due to tax law and its administration which are extremely complex. To the extent that such assumptions differ from actual results, or if such jurisdictions were to change or modify such laws or the current interpretation thereof, the Company may have to record additional tax expenses and liabilities, including interest and penalties. Moreover, there is a risk in which the countries where the

Company operates may change their current tax regime with little prior notice or that the tax authorities in these jurisdictions may attempt to claim tax on the global revenues of the Company.

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, 2021. 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

Orbit Garant 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 Orbit Garant'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

Orbit Garant'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

Orbit Garant 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$, CLP, ARS, GHS and in XOF and is thus exposed to foreign exchange fluctuations. As at June 30, 2020, we had the following currency risk exposure related to financial assets and liabilities in US$, CLP, ARS, GHS and in XOF of approximately: $0.0, $0.6, $0.6, $1.4 and $(3.2) million respectively in Canadian dollars ($2.7, $5.3, $0.0, $2.4 and $1.7 respectively in Canadian dollars as at June 30, 2019). 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

Orbit Garant 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.

Climate Change Risk

Orbit Garant operates in various regions and jurisdictions where environmental laws are evolving and may be different according to each jurisdiction. Several governments or governmental bodies have introduced or are contemplating regulatory changes in response to the potential impact of climate change, such as regulation relating to emission levels. If the current regulatory trend continues, this may result in increased cost in some of the Company's operations. In addition, the physical effect of climate change, such as extreme weather conditions, natural disasters, resource shortages and changing sea levels, could have an adverse financial impact on operations located in the regions where these conditions occur.

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 28, 2020, Pierre Alexandre, Vice Chairman and Vice President of Corporate Development of the Company, holds or controls, directly or indirectly, approximately 25% 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.

During these unprecedented market challenges, COVID-19 may adversely affect the Company's customers and their solvency. Our customers' financial difficulties can negatively impact the Company's results of operations and financial condition, especially if those customers were to delay or default in payment owed to the Company. Collection of trade and other receivables from third parties remains a priority for the Company under the current situation.

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, 2020, the amount of the insurance coverage from EDC represents 6% of the accounts receivable (7% as at June 30, 2019).

As at June 30, 2020, 66% (79% as at June 30, 2019) of the trade accounts receivable are aged as current and 4% are impaired (2% as at June 30, 2019).

Two major customers represent 14% of the trade accounts receivable as at June 30, 2020 (one major customer represented 15% as at June 30, 2019).

One major customer represents 20% of the contract revenue for the year ended June 30, 2020 (for the year ended June 30, 2019, two major customers represented 31% of the contract revenue).

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, 2020, the Company has estimated that a 100 basis point increase or decrease in interest rates would have caused a corresponding annual increase or decrease in net earnings (loss) and comprehensive earnings (loss) of $0.2 million ($0.2 million as at June 30, 2019).

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 and equivalents, trade and other receivables, trade and other payables and balance payable related to 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.

OUTLOOK

Orbit Garant continues to monitor market conditions in the mining sector and the impact of the COVID-19 pandemic on its business. The pandemic is expected to have a continuing negative impact on the Company's business in the near term. While Orbit Garant is ramping up its operations in Canada, the Company's operations continue to be restricted in its international markets. It is currently unclear if or when Orbit Garant's drilling activity will reach pre-pandemic levels.

While market conditions may fluctuate in the near term, Management believes that the longer-term outlook for drilling in the gold industry is positive, as many mining companies are facing declining reserves. Accordingly, increased spending on exploration and new mine development will be required for the industry to remain viable in the long term as the reserves at existing mines are being depleted. S&P Global Market Intelligence forecasts lower global gold production beyond 2022 due to declining reserves and expect that by 2024 more than 15% of global gold production will come from mines that are not yet in production. Given that the price of gold is currently at or near an all-time high, while declining reserves remain a major challenge across the industry, many mining companies will be incentivized to increase exploration and development spending on gold projects. Orbit Garant is well positioned for increased drilling services demand in the gold sector as it derives approximately 66% of its revenue from gold related projects.

Orbit Garant generated 79% of its revenue from its Canadian operations in fiscal 2020. S&P Global Market Intelligence forecasts that Canada is the only major gold-producing country in the world in which output is expected to increase significantly over the next five years. As such, Orbit Garant is well positioned to benefit from the positive outlook for the gold mining sector in Canada. 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 $0.75 US dollars.

Management believes the current global economic downturn caused by COVID-19 could have a further negative impact on demand for base metals, including copper. However, Management is encouraged by the recent rebound in the copper price, which has increased by approximately 42% from its low of US$2.10 per pound in March 2020. Many industry analysts expect that declining copper reserves may necessitate increased exploration activity for copper in the coming years.

Orbit Garant has operating subsidiaries in active international mining markets, including Argentina, Burkina Faso, Chile, Ghana, Guyana and Peru. These international operations provide enhanced market, customer and commodity diversification and have provided the Company with increased access to higher margin specialized drilling activity. In South America, Orbit Garant is currently working on projects in Chile, Guyana and Argentina. In West Africa, the Company is currently working on projects in Burkina Faso and Ghana.

While Management remains positive about the long-term outlook for its international markets, the recent political volatility and civil unrest in Chile and regional security concerns in Burkina Faso have resulted in the delay or interruption of certain mineral drilling projects in these countries during the Company's 2020 fiscal year. This was prior to the COVID-19 pandemic, which disrupted most of the Company's remaining mineral drilling projects in these countries. While the political situation in Chile remains uncertain, the Company believes that the impact of the situation on mineral drilling projects has now diminished. While Orbit Garant's drilling projects in Burkina Faso are in areas of the country that have historically experienced less incidents of violence, Management believes that mineral drilling activity across the country is now impacted by security concerns. The Company continues to monitor the situation in Burkina Faso and is actively seeking drilling projects in other jurisdictions in West Africa. Orbit Garant's policy is to only work in areas where the security of its employees can be appropriately maintained. Management continues to closely monitor developments in both Burkina Faso and Chile.

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 43 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.

Management will remain focused on maximizing stakeholder value by: managing its variable cost structure and cash, optimizing its drill rig utilization, increasing productivity rates, continuing to focus on technology innovation, retaining key personnel, and maintaining strong health and safety standards, as it gradually ramps up its operations in the jurisdictions that have lifted COVID-19 related restrictions. Orbit Garant will also continue to evaluate opportunities to further expand its market presence both in Canada and abroad. As COVID-19 related restrictions are lifted, customer drilling projects are resumed and general economic conditions improve, the Company believes that it is positioned for long-term success.

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 their 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 includes 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, 2020, 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, 2020.

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 2020, Management, including its CEO and CFO, evaluated the existence and design of the Company's ICFR and confirmed 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, 2020, 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.