



**Unaudited Interim Condensed Consolidated
Financial Statements**

First Quarter Fiscal 2021

(For the three-month periods ended September 30, 2020 and 2019)

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

ORBIT GARANT DRILLING INC.**Interim Condensed Consolidated Statements of Earnings**

For the three-month periods ended September 30, 2020 and 2019

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

(Unaudited)

	Notes	September 30 2020 (3 months) \$	September 30 2019 (3 months) \$
Contract revenue	19	35,627	43,282
Cost of contract revenue	5	26,880	36,336
Gross profit		8,747	6,946
Expenses			
General and administrative expenses		3,242	4,389
Foreign exchange (gain) loss		(91)	179
Finance costs		596	704
	5	3,747	5,272
Earnings before income taxes		5,000	1,674
Income tax expense (recovery)	13		
Current		180	(366)
Deferred		1,350	940
		1,530	574
Net earnings		3,470	1,100
Net earnings per share	12		
Basic		0.09	0.03
Diluted		0.09	0.03

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

For the three-month periods ended September 30, 2020 and 2019

(in thousands of Canadian dollars)

(Unaudited)

	September 30 2020 (3 months)	September 30 2019 (3 months)
	\$	\$
Net earnings	3,470	1,100
Other comprehensive earnings (loss)		
Cumulative translation adjustments	208	(878)
Other comprehensive earnings (loss), net of income tax	208	(878)
Comprehensive earnings	3,678	222

ORBIT GARANT DRILLING INC.**Interim Condensed Consolidated Statements of Changes in Equity**

For the three-month periods ended September 30, 2020 and 2019

(in thousands of Canadian dollars)

(Unaudited)

Three-month period ended September 30, 2020					Total
	Share capital	Equity-settled reserve	Retained earnings	Accumulated other comprehensive earnings (loss)	Shareholders' equity
	\$	\$	\$	\$	\$
	(Note 12)				
Balance as at July 1, 2020	58,857	1,309	10,047	(2,208)	68,005
Total comprehensive earnings (loss)					
Net earnings	-	-	3,470	-	3,470
Other comprehensive earnings					
Cumulative translation adjustments	-	-	-	208	208
Other comprehensive loss	-	-	-	208	208
Transactions with shareholders, recorded directly in equity					
Share-based compensation (Note 12)	-	60	-	-	60
Share options cancelled	-	(1)	-	-	(1)
Total transactions with shareholders	-	59	-	-	59
Balance as at September 30, 2020	58,857	1,368	13,517	(2,000)	71,742

Three-month period ended September 30, 2019					Total
	Share capital	Equity-settled reserve	Retained earnings	Accumulated other comprehensive earnings (loss)	Shareholders' equity
	\$	\$	\$	\$	\$
	(Note 12)				
Balance as at July 1, 2019	58,857	1,486	16,971	(738)	76,576
Total comprehensive earnings (loss)					
Net earnings	-	-	1,100	-	1,100
Other comprehensive loss					
Cumulative translation adjustments	-	-	-	(878)	(878)
Other comprehensive loss	-	-	-	(878)	(878)
Transactions with shareholders, recorded directly in equity					
Share-based compensation (Note 12)	-	77	-	-	77
Share options cancelled	-	(3)	3	-	-
Total transactions with shareholders	-	74	3	-	77
Balance as at September 30, 2019	58,857	1,560	18,074	(1,616)	76,875

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

As of September 30, 2020 and June 30, 2020

(in thousands of Canadian dollars)

(Unaudited)

		September 30	June 30
	Notes	2020	2020
		\$	\$
(Recast - Note 2)			
ASSETS			
Current assets			
Cash and cash equivalents		4,255	4,996
Restricted cash	15	632	-
Trade and other receivables		26,210	21,122
Inventories		47,796	49,055
Income taxes receivable		1,388	1,478
Prepaid expenses		744	827
		81,025	77,478
Non-current assets			
Investments	7	392	317
Property, plant and equipment	8	39,210	41,079
Right-of-use assets		4,319	4,486
Intangible assets		489	588
Deferred tax assets		4,557	5,890
Total assets		129,992	129,838
LIABILITIES			
Current liabilities			
Trade and other payables		17,095	18,452
Income taxes payable		54	5
Current portion of long-term debt	9	2,103	1,979
Current portion of lease liabilities	10	2,891	2,954
Provision for litigation	15	2,081	2,035
		24,224	25,425
Non-current liabilities			
Long-term debt	9	32,488	34,759
Lease liabilities	10	1,538	1,649
		58,250	61,833
EQUITY			
Share capital	12	58,857	58,857
Equity-settled reserve		1,368	1,309
Retained earnings		13,517	10,047
Accumulated other comprehensive loss		(2,000)	(2,208)
Equity attributable to shareholders		71,742	68,005
Total liabilities and equity		129,992	129,838

Contingencies and commitments (notes 15 and 16)

APPROVED BY THE BOARD

 Éric Alexandre, Director

 Nicole Veilleux, Director

See accompanying notes to interim condensed consolidated financial statements.

ORBIT GARANT DRILLING INC.

Interim Condensed Consolidated Statements of Cash Flows

For the three-month periods ended September 30, 2020 and 2019

(in thousands of Canadian dollars)

(Unaudited)

		(Recast - Note 2)	
		September 30	September 30
		2020	2019
	Notes	(3 months)	(3 months)
		\$	\$
OPERATING ACTIVITIES			
Earnings before income taxes		5,000	1,674
Items not affecting cash			
Depreciation of property, plant and equipment		2,552	2,463
Depreciation of right-of-use assets		160	115
Amortization of intangible assets		112	106
Loss on disposal of property, plant and equipment	8	21	4
Share-based compensation	12	60	77
Finance costs		596	704
Restricted cash	15	(632)	-
Net change in fair value of investments	7	(53)	4
		7,816	5,147
Changes in non-cash operating working capital items	14	(5,175)	(2,635)
Income taxes paid		(41)	(485)
Finance costs paid		(563)	(707)
		2,037	1,320
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	8	(623)	(2,079)
Proceeds from disposal of investments	7	48	-
Proceeds from disposal of property, plant and equipment	8	152	33
		(423)	(2,046)
FINANCING ACTIVITIES			
Proceeds from long-term debt		18,723	23,937
Repayment of long-term debt		(20,700)	(21,432)
Repayment of lease liabilities		(188)	(123)
		(2,165)	2,382
Effect of exchange rate changes on cash and cash equivalents		(190)	(440)
(Decrease) increase in cash		(741)	1,216
Cash and cash equivalents, beginning of the period		4,996	2,480
Cash and cash equivalents, end of the period		4,255	3,696

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three-month periods ended September 30, 2020 and 2019

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

(Unaudited)

1. DESCRIPTION OF BUSINESS

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

The Company's head office is located at 3200, boul. Jean-Jacques Cossette, Val-d'Or (Québec), Canada. The Company holds interests in several entities. The percentage of voting rights in its subsidiaries and its associates is as follows:

	% of voting rights
Orbit Garant Drilling Services Inc.	100%
9116-9300 Québec inc.	100%
Drift Exploration Drilling Inc.	100%
Drift de Mexico SA de CV	100%
Orbit Garant Chile S.A.	100%
Orbit Garant Drilling Ghana Limited	100%
Perforación Orbit Garant Peru S.A.C.	100%
OGD Drilling (Guyana) Inc.	100%
Forage Orbit Garant BF S.A.S.	100%
Orbit Garant Perforaciones Patagonia S.A.S. (since August 9, 2019)	100%
Orbit Miyuu Kaa Drilling Inc. (dissolved on January 14, 2020)	49%
Sarliaq-Orbit Garant Inc.	49%
Tumiit Orbit Garant Inc.	49%

2. BASIS OF PREPARATION

Basis of presentation

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, ("IAS 34"). The IFRS accounting policies that are set out in Note 5 to the Company's annual audited consolidated statements for the year ended June 30, 2020 were consistently applied to all periods presented. These interim condensed consolidated financial statements have not been subject to a review engagement by the Company's independent auditors.

The preparation of interim condensed consolidated financial statements in conformity with IAS 34 requires the use of certain critical accounting estimates, assumptions and judgments. It also requires Management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in Note 6 in the Company's annual audited consolidated financial statements for the year ended June 30, 2020. They remained unchanged for the three-month period ended September 30, 2020.

These interim condensed consolidated financial statements have been prepared on a historical cost basis except for the investments, which are measured at fair value, and share-based compensation which is measured in accordance with IFRS 2, *Share-Based Payment*. They are presented in Canadian dollars, which is the currency of the primary economic environment in which the Company operates ("functional currency"). All values are rounded to the nearest thousand dollars, except where otherwise indicated.

These interim condensed consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's 2020 annual audited consolidated financial statements.

These interim condensed consolidated financial statements were approved for issue by the Board of Directors of Orbit Garant Drilling Inc. on November 11, 2020.

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three-month periods ended September 30, 2020 and 2019

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

(Unaudited)

2. BASIS OF PREPARATION (continued)

Principles of consolidation

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

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

Recast of June 30, 2020 Financial Position

The Company identified an immaterial error pertaining to the classification of certain property. The comparative figures have been revised in these financial statements to present equipment of \$745 and long-term debt of \$618 that were previously reported as Property, plant and equipment and Long-term debt, to Right-of-use assets and Leases liabilities, respectively, as at June 30, 2020. This reclassification had no material impact on the financial statements.

3. STANDARDS AND INTERPRETATIONS ADOPTED

Amendments to IFRS 3, *Business Combinations*

On October 22, 2018, the IASB issued Definition of a Business (Amendments to IFRS 3, *Business Combinations*) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. On July 1, 2020, the Company adopted the amendments to IFRS 3 prospectively. The amendments had no impact on the Company's condensed consolidated interim financial statements.

4. COVID-19

Since February 29, 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, temporary restriction on all non-essential business, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions.

The Company's priority is to ensure the health of its employees and business partners as well as ensure the continuity of its business operations and support its customers in their mining operations. The impact of the pandemic has negatively affected the Company's activities in calendar year 2020 as some projects were put on hold or postponed.

As at September 30, 2020, the Company complied with its financial covenants. Due to the current economic uncertainties, management has taken several measures to secure the Company's ability to meet its financial and contractual obligations including (i) applying for government grants and subsidies (ii) reworking its cost structure and postponing non-essential expenses (iii) making arrangements with Export Development Canada to temporarily suspend the debt payments on its two loans (see Note 9(e)) and (iv) modify certain applicable covenants to its loans. The Company believes it will have sufficient resources to continue its business operations for at least the next twelve months.

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three-month periods ended September 30, 2020 and 2019

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

(Unaudited)

5. EXPENSES BY NATURE

Detail of the depreciation and amortization expenses

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

	September 30 2020 (3 months)	September 30 2019 (3 months)
	\$	\$
Cost of contract revenue	2,392	2,279
General and administrative expenses	432	405
Total depreciation and amortization	2,824	2,684

Principal expenses by nature

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

	September 30 2020 (3 months)	September 30 2019 (3 months)
	\$	\$
Depreciation and amortization	2,824	2,684
Employee benefits expense	14,154	22,294
Cost of inventories	8,098	7,942
Other expenses	5,551	8,688
Total cost of contract revenue, general and administrative expenses, foreign exchange loss and finance costs	30,627	41,608
Cost of contract revenue	26,880	36,336
General and administrative expenses, foreign exchange loss and finance costs	3,747	5,272
Total cost of contract revenue, general and administrative expenses, foreign exchange loss and finance costs	30,627	41,608

6. GOVERNMENT ASSISTANCE

In April 2020, the Government of Canada passed legislation creating the Canada Emergency Wage Subsidy ("CEWS"). Under the CEWS, eligible employers are entitled to receive a 75% wage reimbursement for eligible employees up to a maximum amount of \$0.847 per employee, per week commencing on March 15, 2020 until July 4, 2020. Beginning July 5, 2020, the Government of Canada expanded eligibility for the CEWS until June 2021 and confirmed that it would maintain the current subsidy rate of up to a maximum of 65% of eligible wages until December 19, 2020. The Government of Canada did not provide the detail of calculations after December 19, 2020. The Company has a receivable amount of \$283 as at September 30, 2020 (\$1,848 as at June 30, 2020). For the three-month periods ended September 30, 2020, a total income relating to CEWS of \$2,375 was recognized as a reduction of cost of contract revenue and \$224 as a reduction of general and administrative expenses (\$0 as at September 30, 2019).

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

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

(Unaudited)

7. INVESTMENTS

	Three month-period ended September 30, 2020	Year ended June 30, 2020
	\$	\$
Investments in public companies, beginning of the year	317	419
Acquisition of investments	-	30
Conversion of trade receivables	70	-
Proceeds from disposal of investments	(48)	(226)
Gain on disposal of investments	-	106
Change in fair value of investments measured at fair value through profit or loss	53	(12)
Investments in public companies, end of the period	392	317

8. PROPERTY, PLANT AND EQUIPMENT

	September 30 2020 (3 months)	(Recast - Note 2) September 30 2019 (3 months)
	\$	\$
Acquisition of property, plant and equipment	623	2,079
Transfer to right-of-use assets	-	(162)
Proceeds from disposal of property, plant and equipment	(152)	(33)
Loss on disposal of property, plant and equipment	21	4

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

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three-month periods ended September 30, 2020 and 2019

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

(Unaudited)

9. LONG-TERM DEBT

	September 30 2020	(Recast - Note 2) June 30 2020
	\$	\$
Loan authorized for a maximum amount of \$6,670 (US\$5,000), bearing interest at prime rate plus 0.25%, effective rate as at September 30, 2020 of 3.50% (June 30, 2020: interest at prime rate plus 0.25%, effective rate of 3.50%), maturing in November 2021, secured by a first rank hypothec on the universality of all present and future assets ^(c)	1,334	1,363
Loan authorized for a maximum amount of \$35,000, bearing interest at prime rate plus 3.50%, effective rate as at September 30, 2020 of 5.95% (June 30, 2020: interest at prime rate plus 3.00%, effective rate of 5.45%), maturing in November 2021, secured by a first rank hypothec on the universality of all present and future assets ^{(a) (b) (c)}	25,026	27,059
Loan authorized for an amount of \$2,500, bearing interest at prime rate plus 4.50%, effective rate as at September 30, 2020 of 6.95% (June 30, 2020: bearing interest at prime rate plus 4.50%, effective rate of 6.95%), payable in monthly instalments of \$52 as from June 2017, maturing in November 2021, secured by a second rank hypothec on the universality of all present and future assets ^{(b) (e)}	728	727
Loan authorized for an amount of \$6,870 (US\$5,150), bearing interest at prime rate plus 2.75%, effective rate as at September 30, 2020 of 6.00% (June 30, 2020: bearing interest at prime rate plus 2.75%, effective rate of 6.00%), payable in monthly instalments of \$129 (US\$97) (June 30, 2020 : \$132 (US\$97)) as from May 2019, maturing in July 2024, secured by a third rank hypothec on the universality of all present and future assets ^{(d) (e)}	5,803	5,929
Loans, totalling CLP\$1,000,000, bearing interest at rates of 3.50%, payable in monthly instalments of \$30 (CLP\$17,756) as from December 2020, maturing in June 2023. ^(f)	1,700	1,660
	<u>34,591</u>	<u>36,738</u>
Current portion	(2,103)	(1,979)
	<u>32,488</u>	<u>34,759</u>

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three-month periods ended September 30, 2020 and 2019

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

(Unaudited)

9. LONG-TERM DEBT (continued)

- (a) The rate is variable based on the quarterly calculation of a financial ratio and can vary from prime rate plus 1.50% to 3.50%.
- (b) An unamortized amount of \$230 (\$264 as at June 30, 2020), representing financing fees, has been netted against the long-term debt. This amount is being amortized to earnings over the term of the debt, using the effective interest method.
- (c) On June 28, 2019, the Company signed an amendment to the Third Amended and Restated Credit Agreement with National Bank of Canada, consisting of a revolving credit facility in the amount of \$35,000 along with a revolving credit facility in the amount of US\$5,000, that will expire November 2, 2021.
- (d) On December 20, 2018, the Company entered into a loan agreement for a term loan in a principal amount of up to US\$5,150. The initial drawdown of US\$2,575 received on January 21, 2019 was used to reduce the credit facility described above. The second drawdown of US\$2,575 was received on October 9, 2019 and was used to pay the balance payable related to a business combination from Fiscal 2019.
- (e) On April 23, 2020, the Company entered into the First Amending Agreement with one of its lenders, Export Development Canada, to defer payments of principal and interest on its long-term debt by six months and extend the term of the loans by the same period. Accrued interest over such period will be payable at the next payable instalment.
- (f) In May 2020, Orbit Garant Chile S.A., a wholly-owned subsidiary of the Company, obtained two loans totaling CLP\$1,000,000 (\$1,700) from Banco Scotiabank. The loans have no capital repayments for the first six months and the interest over such period will be payable on the first instalment.

Under the terms of the long-term debt agreements, the Company must satisfy certain restrictive covenants as to minimum financial ratios (Note 11). As at September 30, 2020, the Company was compliant with its financial covenants (June 30, 2020: the Company was compliant with its financial covenants).

As at September 30, 2020, the prime rate in Canada was 2.45% for Canadian loans (2.45% as at June 30, 2020) and the prime rate in United States was 3.25% for US loans (3.25% as at June 30, 2020).

As at September 30, 2020, principal payments required in the next years are as follows:

	\$
Within one year	2,103
Later than one year and no later than five years	32,488
	<u>34,591</u>

Long-term debt before unamortized financing costs by currency and by term are as follows:

As at September 30, 2020	Total	Within one year	Later than one but no later than five years
\$000s	\$	\$	\$
CAN	25,050	470	24,580
US (US\$6,050)	8,071	1,161	6,910
Pesos chiliens (CLP\$1,000,000)	1,700	472	1,228
	<u>34,821</u>	<u>2,103</u>	<u>32,718</u>

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three-month periods ended September 30, 2020 and 2019

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

(Unaudited)

10. LEASE LIABILITIES

The summary of the activity related to the lease liabilities for the three-month periods ended September 30, 2020 and 2019 is as follows:

	September 30 2020	(Recast - Note 2) September 30 2019
	\$	\$
Lease liabilities recognized, beginning of period	4,603	4,598
Additions	-	781
Disposals	(45)	-
Finance costs	61	57
Payment of lease liabilities, including related finance costs	(249)	(180)
Foreign exchange differences	59	(113)
	4,429	5,143
Current portion	2,891	432
Balance, end of period	1,538	4,711

Lease payments required in the next years are as follows:

	September 30 2020
	\$
Within one year	3,025
Later than one year and no later than five years	1,188
Later than five years	724
	4,937
Less: discounting impact	(508)
Present value of lease payments	4,429

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

	September 30 2020	(Recast - Note 2) June 30 2020
	\$	\$
Current portion	2,891	2,954
Non-current portion	1,538	1,649
	4,429	4,603

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three-month periods ended September 30, 2020 and 2019

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

(Unaudited)

11. CAPITAL MANAGEMENT

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

The Company's capital structure is as follows:

	September 30 2020	(Recast - Note 2) June 30 2020
	\$	\$
Long-term debt	34,591	36,738
Lease liabilities	4,429	4,603
Share capital	58,857	58,857
Equity-settled reserve	1,368	1,309
Retained earnings	13,517	10,047
Accumulated other comprehensive loss	(2,000)	(2,208)
Cash and equivalents	(4,255)	(4,996)
	106,507	104,350

The Company's objective when managing its capital structure is to maintain financial flexibility in order to i) preserve access to capital markets; ii) meet financial obligations; and iii) finance internally generated growth and potential new acquisitions. To manage its capital structure, the Company may adjust spending, issue new shares, issue new debt or repay existing debts.

Under the terms of certain of the Company's debt agreements, the Company must satisfy certain financial covenants, such as Senior debt to earnings before income taxes, interest, depreciation and amortization ratio, Senior debt to capitalization ratio and fixed charge coverage ratio. Such agreements also limit, among other things, the Company's ability to incur additional indebtedness, create liens, engage in mergers or acquisitions and make dividend and other payments. As at September 30, 2020, as mentioned in Note 9, the Company complied with its covenants (June 30, 2020: the Company was compliant with its financial covenants).

In order to facilitate the management of its capital requirements, the Company prepares annual budgets that are updated as necessary, dependent on various factors.

The Company's objectives with regards to capital management remain unchanged from the prior year.

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three-month periods ended September 30, 2020 and 2019

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

(Unaudited)

12. SHARE CAPITAL

Authorized, an unlimited number of common and preferred shares:

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

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

	Three-month period ended September 30, 2020		Year ended June 30, 2020	
	Number of shares	\$	Number of shares	\$
Common shares				
Balance, beginning of the period	37,021,756	58,857	37,021,756	58,857
Shares issued:				
For share options exercised	-	-	-	-
Balance, end of the period	37,021,756	58,857	37,021,756	58,857

Net earnings per share

Diluted net earnings per common share was calculated based on net earnings divided by the average number of common shares outstanding using the treasury shares method.

	September 30 2020 (3 months)	September 30 2019 (3 months)
Net earnings per share - basic		
Net earnings attributable to common shareholders	\$ 3,470	\$ 1,100
Weighted average basic number of common shares outstanding	37,021,756	37,021,756
Net earnings per share - basic	\$ 0.09	\$ 0.03

	September 30 2020 (3 months)	September 30 2019 (3 months)
Net earnings per share - diluted		
Net earnings attributable to common shareholders	\$ 3,470	\$ 1,100
Weighted average basic number of common shares outstanding	37,021,756	37,021,756
Adjustment to average number of common shares - share options	459,950	470,167
Weighted average diluted number of common shares outstanding	37,481,706	37,491,923
Net earnings per share - diluted	\$ 0.09	\$ 0.03

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three-month periods ended September 30, 2020 and 2019

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

(Unaudited)

12. SHARE CAPITAL (continued)

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

	September 30, 2020 (3 months)		September 30, 2019 (3 months)	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding at the beginning of the period	3,155,000	1.28	2,960,500	1.52
Cancelled during the period	(6,000)	0.90	(6,000)	1.73
Outstanding at end of the period	3,149,000	1.28	2,954,500	1.52
Exercisable at end of the period	1,675,335	1.30	1,610,768	1.43

The following table summarizes information on share options outstanding as at September 30, 2020:

Range of exercise price \$	Outstanding at September 30, 2020	Weighted average remaining life (years)	Weighted average exercise price \$	Exercisable at September 30, 2020	Weighted average exercise price \$
0.50 - 1.49	1,825,000	2.50	0.85	975,000	0.86
1.50 - 2.49	1,324,000	2.84	1.86	700,335	1.90
	3,149,000			1,675,335	

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

	September 30 2020 (3 months)	September 30 2019 (3 months)
	\$	\$
Expense related to share-based compensation	60	77

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13. INCOME TAXES

The tax rates prescribed by the applicable laws were at 26.50% in 2021 and 26.55% in 2020.

	September 30 2020 (3 months)	September 30 2019 (3 months)
	\$	\$
Earnings before income taxes	5,000	1,674
Statutory rates	26.50%	26.55%
Income taxes based on statutory rates	1,325	444
Increase (decrease) of income taxes due to the following:		
Non-deductible expenses	13	18
Non-deductible share-based compensation expense	16	20
Difference of income tax rates between territories	(1)	11
Withholdings taxes	42	133
Income tax assets unrecognized	148	82
Non-taxable portion of capital gain	3	(5)
Prior years adjustments	-	(80)
Other	(16)	(49)
Total income tax expense	1,530	574

14. ADDITIONAL INFORMATION RELATING TO THE STATEMENTS OF CASH FLOWS

Changes in non-cash operating working capital items:

	September 30 2020 (3 months)	September 30 2019 (3 months)
	\$	\$
Trade and other receivables	(5,158)	2,577
Inventories	1,259	(7,532)
Prepaid expenses	83	36
Trade and other payables	(1,359)	2,284
	(5,175)	(2,635)

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15. 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 XOF 843,660 (\$2,015) was confirmed by a court in Burkina Faso. This claim relates to an amount of XOF 8,610 (\$21) 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 266,818 million (\$632) 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 576,842 (\$1,383) 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. In October 2020, this amount was required to be deposited in a restricted cash account for a total of XOF 843,660 (\$2,015) in restricted cash. 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 has recorded a provision of XOF 871,497 (\$2,081) as at September 30, 2020 (XOF 871,497 (\$2,035) as at June 30, 2020) 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.

16. COMMITMENTS AND GUARANTEES

Commitments

The Company has entered into short-term and low asset value lease agreements expiring between 2021 and 2022 which call for total lease payments of \$150 for the rental of offices and \$9 for the rental of vehicles. None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions. The lease payments under these lease agreements for the next two years amount to \$142 for 2021 and \$17 for 2022.

Guarantees

For the three-month period ended September 30, 2020, the Company issued some bank guarantees in favor of customers for a total amount of \$1,007 (for the three-month period ended September 30, 2019: \$819), maturing between December 2020 and June 2021. For the three-month periods ended September 30, 2020 and 2019, the Company has not made any payments in connection with these guarantees.

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17. RELATED AND ASSOCIATE PARTY TRANSACTIONS

Transactions with related parties

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

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

	September 30 2020 (3 months)	September 30 2019 (3 months)
Revenues	\$ 6	\$ 14
Expenses	37	38

As at September 30, 2020, an amount of \$0 was receivable resulting from these transactions (June 30, 2020: \$6).

Transactions with associate parties

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

	September 30 2020 (3 months)	September 30 2019 (3 months)
Revenues	\$ 6,964	\$ 6,708

As at September 30, 2020, trade and other receivables included an amount receivable of \$1,891 from one of the Company's associates (June 30, 2020: \$1,533).

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

Key management personnel and directors' transactions

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

Compensation paid to key management personnel and directors for the three-month period ended September 30, 2020 amounted to \$250 (\$505 for the three-month period ended September 30, 2019).

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18. FINANCIAL INSTRUMENTS

The Company is exposed to various risks related to its financial assets and liabilities. There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks, or the methods used to measure them, from previous years, unless otherwise stated in this note.

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.

Fair value

The fair value of cash and cash equivalents, trade and other receivables and trade and other payables 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.

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18. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

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

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

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

As at September 30, 2020, the investments are measured at fair value and are classified as a Level 1 financial instrument as the fair value is determined using quoted prices in the active markets.

As at September 30, 2020	Carrying value	Fair value	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$
Financial assets measured at amortized cost					
Cash and cash equivalents	4,255	4,255			
Restricted cash	632	632			
Trade and other receivables	26,210	26,210			
Financial assets measured at fair value					
Investments	392	392	392		
Financial liabilities measured at amortized cost					
Trade and other payables	17,095	17,095			
Long-term debt	34,591	34,591			
As at June 30, 2020	Carrying value	Fair value	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$
Financial assets measured at amortized cost					
Cash and cash equivalents	4,996	4,996			
Trade and other receivables	21,122	21,122			
Financial assets measured at fair value					
Investments	317	317	317		
Financial liabilities measured at amortized cost					
Trade and other payables	18,452	18,452			
Long-term debt	37,356	37,356			

There were no transfers of amounts between Level 1, Level 2 and Level 3 financial instruments for the three-month period ended September 30, 2020.

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19. SEGMENTED INFORMATION

The Company is separated into two geographical reportable segments: Canada and International (US, Central and South America and West Africa). The elements of the results and the financial situation are divided between the segments, based on destination of contracts or profits. Data by geographical areas follow the same accounting rules as those used for the consolidated accounts. Transfers between segments are carried out at market prices.

Operational sectors are presented using the same criteria as for the production of the internal report to the chief operating decision maker, who allocates the resources and evaluates the performance of the operational sectors. The chief operating decision maker is considered to be the President and Chief Executive Officer, who evaluates the performance of both segments by the revenues of ordinary activities from external clients and earnings (loss) from operations.

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

	September 30 2020 (3 months)	September 30 2019 (3 months)
Contract revenue	\$	\$
Canada	31,392	35,432
International ⁽¹⁾	4,235	7,850
	<u>35,627</u>	<u>43,282</u>
Earnings (loss) from operations		
Canada	7,913	5,307
International	(1,574)	(1,622)
	<u>6,339</u>	<u>3,685</u>
General and corporate expenses ⁽²⁾	743	1,307
Finance costs	596	704
Income tax expense	1,530	574
	<u>2,869</u>	<u>2,585</u>
Net earnings	<u>3,470</u>	<u>1,100</u>

⁽¹⁾ The International operating segment included Chilean revenue as follows :

	1,000	3,626
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⁽²⁾ General and corporate expenses include expenses for corporate offices, share options and certain unallocated costs.

	September 30 2020 (3 months)	September 30 2019 (3 months)
Depreciation and amortization	\$	\$
Canada	1,468	1,446
International	924	833
Total depreciation and amortization included in earnings from operations	<u>2,392</u>	<u>2,279</u>
Unallocated and corporate assets	432	405
Total depreciation and amortization	<u>2,824</u>	<u>2,684</u>

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19. SEGMENTED INFORMATION (continued)

	As at September 30, 2020	(Recast - Note 2) As at June 30, 2020
	\$	\$
Identifiable assets		
Canada	86,861	86,960
Chile	14,688	15,400
International - Other	28,443	27,478
	129,992	129,838
Property, plant and equipment		
Canada	27,704	29,123
Chile	3,454	3,480
International - Other	8,052	8,476
	39,210	41,079
Right-of-use assets		
Canada	794	936
Chile	2,381	2,367
International - Other	1,144	1,183
	4,319	4,486
Intangible assets		
International - Other	489	588
	September 30	(Recast - Note 2) September 30
	2020	2019
	(3 months)	(3 months)
	\$	\$
Non-current assets acquisitions		
Canada	565	1,416
International	30	586
Unallocated and corporate assets	28	77
	623	2,079