



**Unaudited Interim Condensed Consolidated
Financial Statements**

Second Quarter Fiscal 2021

(For the three and six-month periods ended December 31, 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 and six month periods ended December 31, 2020 and 2019

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

(Unaudited)

	Notes	December 31 2020 (3 months) \$	December 31 2019 (3 months) \$	December 31 2020 (6 months) \$	December 31 2019 (6 months) \$
Contract revenue	19	36,064	38,289	71,691	81,571
Cost of contract revenue	5	30,688	35,884	57,569	72,220
Gross profit		5,376	2,405	14,122	9,351
Expenses					
General and administrative expenses		3,655	4,153	6,896	8,542
Foreign exchange loss		119	39	26	218
Finance costs		703	700	1,300	1,404
	5	4,477	4,892	8,222	10,164
Earnings (loss) before income taxes		899	(2,487)	5,900	(813)
Income tax expense (recovery)	13				
Current		108	239	289	(127)
Deferred		424	(369)	1,774	571
		532	(130)	2,063	444
Net earnings (loss)		367	(2,357)	3,837	(1,257)
Net earnings (loss) per share	12				
Basic		0.01	(0.06)	0.10	(0.03)
Diluted		0.01	(0.06)	0.10	(0.03)

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

For the three and six month periods ended December 31, 2020 and 2019

(in thousands of Canadian dollars)

(Unaudited)

	December 31 2020 (3 months)	December 31 2019 (3 months)	December 31 2020 (6 months)	December 31 2019 (6 months)
	\$	\$	\$	\$
Net earnings (loss)	367	(2,357)	3,837	(1,257)
Other comprehensive earnings (loss)				
Cumulative translation adjustments	129	(369)	338	(1,247)
Other comprehensive earnings (loss), net of income tax	129	(369)	338	(1,247)
Comprehensive earnings (loss)	496	(2,726)	4,175	(2,504)

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

For the six month periods ended December 31, 2020 and 2019

(in thousands of Canadian dollars)

(Unaudited)

Six-month period ended December 31, 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	-	-	3,837	-	3,837
Other comprehensive earnings					
Cumulative translation adjustments	-	-	-	338	338
Other comprehensive earnings	-	-	-	338	338
Transactions with shareholders, recorded directly in equity					
Share-based compensation (Note 12)	-	120	-	-	120
Share options cancelled	-	(102)	102	-	-
Total transactions with shareholders	-	18	102	-	120
Balance as at December 31, 2020	58,857	1,327	13,986	(1,870)	72,300

Six-month period ended December 31, 2019					Total
	Share capital	Equity-settled reserve	Retained earnings	Accumulated other comprehensive 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 loss	-	-	(1,257)	-	(1,257)
Other comprehensive loss					
Cumulative translation adjustments	-	-	-	(1,247)	(1,247)
Other comprehensive loss	-	-	-	(1,247)	(1,247)
Transactions with shareholders, recorded directly in equity					
Share-based compensation (Note 12)	-	149	-	-	149
Share options cancelled	-	(339)	339	-	-
Total transactions with shareholders	-	(190)	339	-	149
Balance as at December 31, 2019	58,857	1,296	16,053	(1,985)	74,221

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

As of December 31, 2020 and June 30, 2020

(in thousands of Canadian dollars)

(Unaudited)

		December 31	June 30
	Notes	2020	2020
		\$	\$
(Recast - Note 2)			
ASSETS			
Current assets			
Cash and cash equivalents		2,191	4,996
Restricted cash	15	2,042	-
Trade and other receivables		24,122	21,122
Inventories		48,751	49,055
Income taxes receivable		1,349	1,478
Prepaid expenses		841	827
		<u>79,296</u>	<u>77,478</u>
Non-current assets			
Investments	7	207	317
Property, plant and equipment	8	37,695	41,079
Right-of-use assets		4,660	4,486
Intangible assets		377	588
Deferred tax assets		4,189	5,890
Total assets		<u>126,424</u>	<u>129,838</u>
LIABILITIES			
Current liabilities			
Trade and other payables		18,339	18,452
Income taxes payable		21	5
Current portion of long-term debt	9	24,238	1,979
Current portion of lease liabilities	10	3,183	2,954
Provision for litigation	15	2,076	2,035
		<u>47,857</u>	<u>25,425</u>
Non-current liabilities			
Long-term debt	9	4,683	34,759
Lease liabilities	10	1,584	1,649
		<u>54,124</u>	<u>61,833</u>
EQUITY			
Share capital	12	58,857	58,857
Equity-settled reserve		1,327	1,309
Retained earnings		13,986	10,047
Accumulated other comprehensive loss		(1,870)	(2,208)
Equity attributable to shareholders		<u>72,300</u>	<u>68,005</u>
Total liabilities and equity		<u>126,424</u>	<u>129,838</u>

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 and six month periods ended December 31, 2020 and 2019

(in thousands of Canadian dollars)

(Unaudited)

	Notes	(Recast - Note 2)		(Recast - Note 2)	
		December 31 2020 (3 months)	December 31 2019 (3 months)	December 31 2020 (6 months)	December 31 2019 (6 months)
		\$	\$	\$	\$
OPERATING ACTIVITIES					
Earnings (loss) before income taxes		899	(2,487)	5,900	(813)
Items not affecting cash					
Depreciation of property, plant and equipment		2,480	2,577	5,032	5,040
Depreciation of right-of-use assets		155	148	315	263
Amortization of intangible assets		112	105	224	211
(Gain) loss on disposal of property, plant and equipment	8	(253)	78	(232)	82
Share-based compensation	12	60	72	120	149
Finance costs		703	700	1,300	1,404
Restricted cash	15	(1,410)	-	(2,042)	-
Net change in fair value of investments	7	(5)	25	(58)	29
		2,741	1,218	10,559	6,365
Changes in non-cash operating working capital items	14	2,282	(325)	(2,893)	(2,960)
Income taxes paid		(128)	(578)	(169)	(1,063)
Finance costs paid		(658)	(667)	(1,221)	(1,374)
		4,237	(352)	6,276	968
INVESTING ACTIVITIES					
Acquisition of investments	7	-	(30)	-	(30)
Acquisition of property, plant and equipment	8	(1,174)	(3,207)	(1,797)	(5,286)
Proceeds from disposal of investments	7	190	-	238	-
Proceeds from disposal of property, plant and equipment	8	611	2	763	35
		(373)	(3,235)	(796)	(5,281)
FINANCING ACTIVITIES					
Repayment of balance payable related to a business combination		-	(3,409)	-	(3,409)
Proceeds from long-term debt		18,123	26,892	36,846	50,829
Repayment of long-term debt		(23,600)	(21,776)	(44,300)	(43,208)
Repayment of lease liabilities		(199)	(163)	(387)	(286)
		(5,676)	1,544	(7,841)	3,926
Effect of exchange rate changes on cash and cash equivalents		(252)	(208)	(444)	(648)
Decrease in cash		(2,064)	(2,251)	(2,805)	(1,035)
Cash and cash equivalents, beginning of the period		4,255	3,696	4,996	2,480
Cash and cash equivalents, end of the period		2,191	1,445	2,191	1,445

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six month periods ended December 31, 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. (dissolved on December 31, 2020)	100%
Forage Orbit Garant Guinée SARLU (since December 3, 2020)	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 and six-month periods ended December 31, 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 February 10, 2021.

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six month periods ended December 31, 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 December 31, 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 and six month periods ended December 31, 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:

	December 31 2020 (3 months)	December 31 2019 (3 months)	December 31 2020 (6 months)	December 31 2019 (6 months)
	\$	\$	\$	\$
Cost of contract revenue	2,318	2,396	4,710	4,675
General and administrative expenses	429	434	861	839
Total depreciation and amortization	2,747	2,830	5,571	5,514

Principal expenses by nature

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

	December 31 2020 (3 months)	December 31 2019 (3 months)	December 31 2020 (6 months)	December 31 2019 (6 months)
	\$	\$	\$	\$
Depreciation and amortization	2,747	2,830	5,571	5,514
Employee benefits expense	18,398	21,085	32,552	43,448
Cost of inventories	6,999	8,558	15,096	16,549
Other expenses	7,021	8,303	12,572	16,873
Total cost of contract revenue, general and administrative expenses, foreign exchange loss and finance costs	35,165	40,776	65,791	82,384
Cost of contract revenue	30,688	35,884	57,569	72,220
General and administrative expenses, foreign exchange loss and finance costs	4,477	4,892	8,222	10,164
Total cost of contract revenue, general and administrative expenses, foreign exchange loss and finance costs	35,165	40,776	65,791	82,384

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. On November 30, 2020, the Government of Canada increased the CEWS to a maximum of 75% of eligible wages for the qualifying periods from December 20, 2020 to March 13, 2021. The maximum base subsidy remained at 40% and the maximum top-up wage subsidy rate increased to 35%. The Company has a receivable amount of \$13 as at December 31, 2020 (\$1,848 as at June 30, 2020). For the six month periods ended December 31, 2020, a total income relating to CEWS of \$2,613 was recognized as a reduction of cost of contract revenue and \$245 as a reduction of general and administrative expenses (\$0 as at December 30, 2019).

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six month periods ended December 31, 2020 and 2019

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

(Unaudited)

7. INVESTMENTS

	Six-month period ended December 31, 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	(238)	(226)
Change in fair value of investments measured at fair value through profit or loss	58	94
Investments in public companies, end of the period	207	317

8. PROPERTY, PLANT AND EQUIPMENT

	December 31 2020 (3 months)	December 31 2019 (3 months)	December 31 2020 (6 months)	(Recast - Note 2) December 31 2019 (6 months)
			\$	\$
Acquisition of property, plant and equipment	1,174	3,207	1,797	5,286
Transfer to right-of-use assets	-	-	-	(162)
Proceeds from disposal of property, plant and equipment	(611)	(2)	(763)	(35)
(Gain) loss on disposal of property, plant and equipment	(253)	78	(232)	82

The (gain) 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 and six month periods ended December 31, 2020 and 2019

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

(Unaudited)

9. LONG-TERM DEBT

	December 31 2020	(Recast - Note 2) June 30 2020
	\$	\$
Loan authorized for a maximum amount of \$6,366 (US\$5,000), bearing interest at prime rate plus 0.25%, effective rate as at December 31, 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)	1,273	1,363
Loan authorized for a maximum amount of \$35,000, bearing interest at prime rate plus 3.50%, effective rate as at December 31, 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)}	20,134	27,059
Loan authorized for an amount of \$2,500, bearing interest at prime rate plus 4.50%, effective rate as at December 31, 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)}	573	727
Loan authorized for an amount of \$6,557 (US\$5,150), bearing interest at prime rate plus 2.75%, effective rate as at December 31, 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 \$123 (US\$97) (June 30, 2020 : \$132 (US\$97)) as from May 2019, maturing in June 2024, secured by a third rank hypothec on the universality of all present and future assets ^{(d) (e)}	5,170	5,929
Loans, totalling CLP\$1,000,000, bearing interest at rates of 3.50%, payable in monthly instalments of \$31 (CLP\$17,756) as from December 2020, maturing in June 2023. ^(f)	1,771	1,660
	<u>28,921</u>	<u>36,738</u>
Current portion	(24,238)	(1,979)
	<u>4,683</u>	<u>34,759</u>

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six month periods ended December 31, 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 \$187 (\$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 (\$1,784) 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 December 31, 2020, the Company was compliant with its financial covenants (June 30, 2020: the Company was compliant with its financial covenants).

As at December 31, 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 December 31, 2020, principal payments required in the next years are as follows:

			\$
Within one year			24,238
Later than one year and no later than five years			4,870
			<u>29,108</u>

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

As at December 31, 2020	Total	Within one year	Later than one but no later than five years
\$000s	\$	\$	\$
CAN	20,895	20,895	-
US (US\$5,060)	6,442	2,651	3,791
Pesos chiliens (CLP\$992,651)	1,771	692	1,079
	<u>29,108</u>	<u>24,238</u>	<u>4,870</u>

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six month periods ended December 31, 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 and six-month periods ended December 31, 2020 and 2019 is as follows:

	December 31 2020 (3 months)	(Recast - Note 2) December 31 2019 (3 months)	December 31 2020 (6 months)	(Recast - Note 2) December 31 2019 (6 months)
	\$	\$	\$	\$
Lease liabilities recognized, beginning of period	4,429	5,143	4,603	4,598
Additions	233	190	233	971
Disposals	-	-	(45)	-
Finance cost	52	59	113	116
Payment of lease liabilities, including related finance costs	(251)	(222)	(500)	(402)
Reassessment of the lease term	147	-	147	-
Foreign exchange differences	157	(69)	216	(182)
	4,767	5,101	4,767	5,101
Current portion	3,183	3,245	3,183	3,245
Balance, end of period	1,584	1,856	1,584	1,856

Lease payments required in the next years are as follows:

	December 31 2020 \$
Within one year	3,318
Later than one year and no later than five years	1,256
Later than five years	682
	5,256
Less: discounting impact	(489)
Present value of lease payments	4,767

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

	December 31 2020 \$	(Recast - Note 2) June 30 2020 \$
Current portion	3,183	2,954
Non-current portion	1,584	1,649
	4,767	4,603

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six month periods ended December 31, 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:

	December 31 2020	(Recast - Note 2) June 30 2020
	\$	\$
Long-term debt	28,921	36,738
Lease liabilities	4,767	4,603
Share capital	58,857	58,857
Equity-settled reserve	1,327	1,309
Retained earnings	13,986	10,047
Accumulated other comprehensive loss	(1,870)	(2,208)
Cash and equivalents	(2,191)	(4,996)
	103,797	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 December 31, 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.

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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. For the comparative numbers, share options are not included in the computation of diluted net earnings (loss) as their inclusion would be anti-dilutive.

	Six-month period ended December 31, 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 (loss) per share

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

	December 31 2020 (3 months)	December 31 2019 (3 months)	December 31 2020 (6 months)	December 31 2019 (6 months)
Net earnings (loss) per share - basic				
Net earnings (loss) attributable to common shareholders	\$ 367	\$ (2,357)	\$ 3,837	\$ (1,257)
Weighted average basic number of common shares outstanding	37,021,756	37,021,756	37,021,756	37,021,756
Net earnings (loss) per share - basic	\$ 0.01	\$ (0.06)	\$ 0.10	\$ (0.03)

	December 31 2020 (3 months)	December 31 2019 (3 months)	December 31 2020 (6 months)	December 31 2019 (6 months)
Net earnings (loss) per share - diluted				
Net earnings (loss) attributable to common shareholders	\$ 367	\$ (2,357)	\$ 3,837	\$ (1,257)
Weighted average basic number of common shares outstanding	37,021,756	37,021,756	37,021,756	37,021,756
Adjustment to average number of common share - share options	457,435	-	917,385	-
Weighted average diluted number of common shares outstanding	\$37,479,191	\$37,021,756	\$37,939,141	\$37,021,756
Net earnings (loss) per share - diluted	\$ 0.01	\$ (0.06)	\$ 0.10	\$ (0.03)

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12. SHARE CAPITAL (continued)

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

	December 30, 2020 (6 months)		December 30, 2019 (6 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
Granted during the period	810,000	0.81	696,000	0.90
Cancelled during the period	(568,566)	1.05	(386,000)	2.26
Outstanding at end of the period	3,396,434	1.20	3,270,500	1.30
Exercisable at end of the period	1,759,168	1.45	1,672,769	1.35

The following table summarizes information on share options outstanding as at December 31, 2020:

Range of exercise price \$	Outstanding at December 31, 2020	Weighted average remaining life (years)	Weighted average exercise price \$	Exercisable at December 31, 2020	Weighted average exercise price \$
0.50 - 1.49	2,101,100	3.80	0.80	690,500	0.76
1.50 - 2.49	1,295,334	2.59	1.86	1,068,668	1.89
	3,396,434			1,759,168	

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

	Granted in December 2020	Granted in October 2020	Granted in June 2020	Granted in December 2019
Risk-free interest rate	0.32%	0.33%	0.35%	1.46%
Expected life (years)	3	3	3	3
Expected volatility (based on historical volatility)	41.42%	40.90%	39.80%	36.11%
Expected dividend yield	0%	0%	0%	0%
Fair value of options granted	\$0.24	\$0.28	\$0.15	\$0.26

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

	December 31 2020 (3 months)	December 31 2019 (3 months)	December 31 2020 (6 months)	December 31 2019 (6 months)
Expense related to share-based compensation	\$ 60	\$ 72	\$ 120	\$ 149

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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.

	December 31 2020 (3 months)	December 31 2019 (3 months)	December 31 2020 (6 months)	December 31 2019 (6 months)
Earnings (loss) before income taxes	\$ 899	\$ (2,487)	\$ 5,900	\$ (813)
Statutory rates	26.50%	26.55%	26.50%	26.55%
Income taxes based on statutory rates	238	(660)	1,564	(216)
Increase (decrease) of income taxes due to the following:				
Non-deductible expenses	87	18	100	36
Non-deductible share-based compensation expense	16	19	32	39
Difference of income tax rates between territories	(5)	32	(6)	43
Withholdings taxes	73	147	115	280
Income tax assets unrecognized	130	287	278	369
Non-taxable portion of capital gain	3	(6)	6	(11)
Prior years adjustments	(73)	-	(73)	(80)
Other	63	33	47	(16)
Total income tax expense	532	(130)	2,063	444

14. ADDITIONAL INFORMATION RELATING TO THE STATEMENTS OF CASH FLOWS

Changes in non-cash operating working capital items:

	December 31 2020 (3 months)	December 31 2019 (3 months)	December 31 2020 (6 months)	December 31 2019 (6 months)
Trade and other receivables	\$ 2,088	\$ 6,667	\$ (3,070)	\$ 9,244
Inventories	(955)	(671)	304	(8,203)
Prepaid expenses	(97)	102	(14)	138
Trade and other payables	1,246	(6,423)	(113)	(4,139)
	2,282	(325)	(2,893)	(2,960)

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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 (\$2,010) 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 (\$636) 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 (\$1,374) 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 857,227 (\$2,042) 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 (\$2,076) as at December 31, 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.

On January 21, 2021, the appeal court ruled in the Company's favour and overturned the original decision. This decision remains subject to further appeal and the Company has determined that it will not reverse the provisional liability until the appeal period has expired and it has received and considered the appeal court's written judgment.

16. COMMITMENTS AND GUARANTEES

Commitments

The Company has entered into short-term and low asset value lease agreements expiring in 2021 which call for total lease payments of \$153 for the rental of offices and \$68 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 amount to \$221 until December 2021.

Guarantees

For the six-month period ended December 31, 2020, the Company issued some bank guarantees in favor of customers for a total amount of \$1,860 (for the six-month period ended December 30, 2019: \$812), maturing between February 2021 and October 2022. For the six-month periods ended December 31, 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:

	December 31 2020 (3 months)	December 31 2019 (3 months)	December 31 2020 (6 months)	December 31 2019 (6 months)
Revenues	\$ 6	\$ 18	\$ 12	\$ 32
Expenses	38	37	75	75

As at December 31, 2020, an amount of \$6 was receivable resulting from these transactions (June 30, 2020: \$6).

In addition, for the three-month period ended December 31, 2020, repayments of a lease liability totalling \$21 were made to Dynamitage Castonguay Ltd. (June 30, 2020: \$0).

Transactions with associate parties

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

	December 31 2020 (3 months)	December 31 2019 (3 months)	December 31 2020 (6 months)	December 31 2019 (6 months)
Revenues	\$ 3,768	\$ 4,773	\$ 10,732	\$ 11,481

As at December 31, 2020, trade and other receivables included an amount receivable of \$1,095 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 compensation

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.

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

	December 31 2020 (3 months)	December 31 2019 (3 months)	December 31 2020 (6 months)	December 31 2019 (6 months)
Salaries and fees	\$ 283	\$ 313	\$ 534	\$ 818
Share-based compensation	114	105	114	105
	397	418	648	923

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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 December 31, 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 December 31, 2020	Carrying value	Fair value	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$
Financial assets measured at amortized cost					
Cash and cash equivalents	2,191	2,191			
Restricted cash	2,042	2,042			
Trade and other receivables	24,122	24,122			
Financial assets measured at fair value					
Investments	207	207	207		
Financial liabilities measured at amortized cost					
Trade and other payables	18,339	18,339			
Long-term debt	28,921	28,921			
<hr/>					
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	36,738	36,738			

There were no transfers of amounts between Level 1, Level 2 and Level 3 financial instruments for the three and six month period ended December 31, 2020.

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18. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk arises from the Company's management of working capital, the finance costs and principal repayments on its debt instruments. It is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. In Note 9 are details of undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

The Company enters into receivable purchase agreements (commonly referred to as "factoring agreements") with different banks as part of its normal working capital financing. The Company receives 100% of the value of the specific sales invoice less a charge between 0.30% and 0.52%. As at December 31, 2020, there were no amounts included in the trade receivables related to factored accounts.

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

	As at December 31, 2020			
	Total	0 - 1 year	2 - 3 years	4 - 5 years
	\$	\$	\$	\$
Trade and other payables	18,339	18,339	-	-
Long-term debt (capital only)	29,108	24,238	3,836	1,034
	47,447	42,577	3,836	1,034

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.

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19. SEGMENTED INFORMATION (continued)

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

	December 31 2020 (3 months)	December 31 2019 (3 months)	December 31 2020 (6 months)	December 31 2019 (6 months)
Contract revenue	\$	\$	\$	\$
Canada	29,423	28,594	60,815	64,026
International ⁽¹⁾	6,641	9,695	10,876	17,545
	36,064	38,289	71,691	81,571
Earnings (loss) from operations				
Canada	3,521	(105)	11,433	5,202
International	(805)	(517)	(2,379)	(2,139)
	2,716	(622)	9,054	3,063
General and corporate expenses ⁽²⁾	1,114	1,165	1,854	2,472
Finance costs	703	700	1,300	1,404
Income tax expense	532	(130)	2,063	444
	2,349	1,735	5,217	4,320
Net earnings (loss)	367	(2,357)	3,837	(1,257)

⁽¹⁾ The International operating segment included

Chilean revenue as follows :

	December 31 2020 (3 months)	December 31 2019 (3 months)	December 31 2020 (6 months)	December 31 2019 (6 months)
Chilean revenue as follows :	1,942	5,617	2,942	9,243

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

	December 31 2020 (3 months)	December 31 2019 (3 months)	December 31 2020 (6 months)	December 31 2019 (6 months)
Depreciation and amortization	\$	\$	\$	\$
Canada	1,426	1,539	2,893	2,985
International	892	857	1,816	1,690
Total depreciation and amortization included in earnings (loss) from operations	2,318	2,396	4,709	4,675
Unallocated and corporate assets	429	434	862	839
Total depreciation and amortization	2,747	2,830	5,571	5,514

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19. SEGMENTED INFORMATION (continued)

	(Recast - Note 2)	
	As at December 31, 2020	As at June 30, 2020
	\$	\$
Identifiable assets		
Canada	81,646	86,960
Chile	16,290	15,400
International - Other	28,488	27,478
	<u>126,424</u>	<u>129,838</u>
Property, plant and equipment		
Canada	26,961	29,123
Chile	3,262	3,480
International - Other	7,472	8,476
	<u>37,695</u>	<u>41,079</u>
Right-of-use assets		
Canada	953	936
Chile	2,600	2,367
International - Other	1,107	1,183
	<u>4,660</u>	<u>4,486</u>
Intangible assets		
International - Other	377	588

	(Recast - Note 2)			
	December 31 2020 (3 months)	December 31 2019 (3 months)	December 31 2020 (6 months)	December 31 2019 (6 months)
	\$	\$	\$	\$
Non-current assets acquisitions				
Canada	1,054	3,022	1,619	4,438
International	117	114	147	700
Unallocated and corporate assets	3	71	31	148
	<u>1,174</u>	<u>3,207</u>	<u>1,797</u>	<u>5,286</u>