



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **SECOND QUARTER FISCAL 2021**

**(Three and six-month periods ended December 31, 2020)**

**February 10, 2021**

## 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 unaudited interim condensed consolidated financial statements for the three and six-month periods ended December 31, 2020; as compared with the corresponding period of the previous year and also with the audited consolidated financial statements and MD&A contained in the Company's annual report for the fiscal year ended June 30, 2020.

The Company's second quarter of fiscal 2021 unaudited interim condensed 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 February 10, 2021. 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 Orbit Garant, including the Company's Annual Information Form for the most recently completed fiscal year, can be found on SEDAR at [www.sedar.com](http://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](http://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 2020"), 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 have also been 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 challenging period. 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 to September 30, 2020, Orbit Garant's Management and Directors agreed to take a temporary 15% reduction in their remuneration to further support the Company.

For the six-month period ended December 31, 2020, Orbit Garant recorded a benefit related to the Canadian Emergency Wage Subsidy ("CEWS") program in the amount of \$2.8 million, of which \$2.6 million was recognized as a reduction of cost of contract revenue and \$0.2 million was recognized as a reduction of general and administrative expenses.

Orbit Garant's drilling activities in Canada began to gradually resume or ramp up in the second half of its fiscal 2020 fourth quarter and have now returned to pre-pandemic levels. The Company's drilling activities in West Africa began to gradually resume or ramp up in Q1 2021 and are now approaching pre-pandemic levels. The Company's drilling activities in Chile remains below pre-pandemic levels.

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 allowing mineral drilling projects to resume, it is uncertain if or when the Company's overall drilling activity will reach pre-pandemic

levels, or if certain business restrictions will be reinstated due to COVID-19. 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, including a reduction in capital expenditures, to support a reduced level of operations in certain regions, while maintaining the flexibility required to adapt to any potential increase in COVID-19 related restrictions, or to resume more normalized overall operations.

## **FISCAL 2021 SECOND QUARTER ("Q2 2021") SUMMARY**

- Revenue totalled \$36.1 million in Q2 2021, compared to \$38.3 million in the second quarter of fiscal 2020 ("Q2 2020");
- \$5.7 million reduction of debt and lease liabilities, compared to an increase of \$1.5 million in Q2 2020;
- Gross margin increased to 14.9%, compared to 6.3% in Q2 2020;
- Adjusted gross margin<sup>(1)</sup> (excluding depreciation expense) was 21.3%, compared to 12.5% in Q2 2020;
- EBITDA<sup>(1)</sup> totalled \$4.4 million, compared to \$1.0 million in Q2 2020;
- Net earnings were \$0.3 million, compared to net loss of \$2.4 million in Q2 2020; and
- Metres drilled totalled 376,303, compared to 365,696 metres drilled in Q2 2020

(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 227 drill rigs and approximately 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 and Ghana. The Company has established international operating subsidiaries in: Winnemucca (Nevada), U.S.A.; Santiago, Chile; Georgetown, Guyana; Ouagadougou, Burkina Faso; Takoradi, Ghana and most recently in Conakry, Guinea, to support its international operations.

Orbit Garant has a comprehensive infrastructure with vertically integrated manufacturing capabilities. The Company manufactures custom drill rigs, equipment and drilling materials for use in its operations. 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 (including surface drilling and underground drilling).

For the six-month period ended December 31, 2020

- Specialized drilling services accounted for approximately 40% of the Company's total revenue, compared to 47% in the first half of 2020;
- Approximately 78% of the Company's revenues were generated by gold related operations, and approximately 22% were generated by base metal related and other operations;
- Surface and underground drilling services accounted for approximately 66% and 34%, respectively, of the Company's revenue;

- Approximately 73% of Orbit Garant's revenue was generated from major and intermediate mining company projects, compared to 82% in the first half of fiscal 2020. Orbit Garant's drilling contracts with major and intermediate customers are typically from one to five years in length;
- Approximately 85% of Orbit Garant's revenue was generated from domestic drilling projects, and approximately 15% 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 resulting from various claims, if any, management believes that the ultimate resolution of such claims 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") (\$2.01 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 (\$0.64 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 (\$1.37 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. In October 2020, these amounts were required to be deposited in a restricted cash account for a total of XOF 857.2 million (\$2.04 million) in restricted cash. Management expects to recover these deposited funds 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 (\$2.04 million) in its Fiscal 2020 fourth quarter ("Q4 FY2020") for this claim and additional legal fees. This provision was increased to \$2.08 million as at December 31, 2020. 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 Orbit Garant'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.

## **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"), and the acquisition of the drilling business of Projet Production International BF S.A. ("PPI") in Burkina Faso;
- 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\$1,845 per ounce, representing an increase of approximately 17% compared to a year ago and an increase of approximately 64% from its trailing five-year price low in late 2016.

### **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 prices of each of these metals are higher 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\$2.61 per pound a year ago and at the time of this report was approximately US\$3.74 per pound, an increase of 43%. The spot prices of aluminum, lead and zinc are currently near the mid-points of their respective trailing five-year price ranges, while the spot prices of copper and nickel are currently near five-year highs.

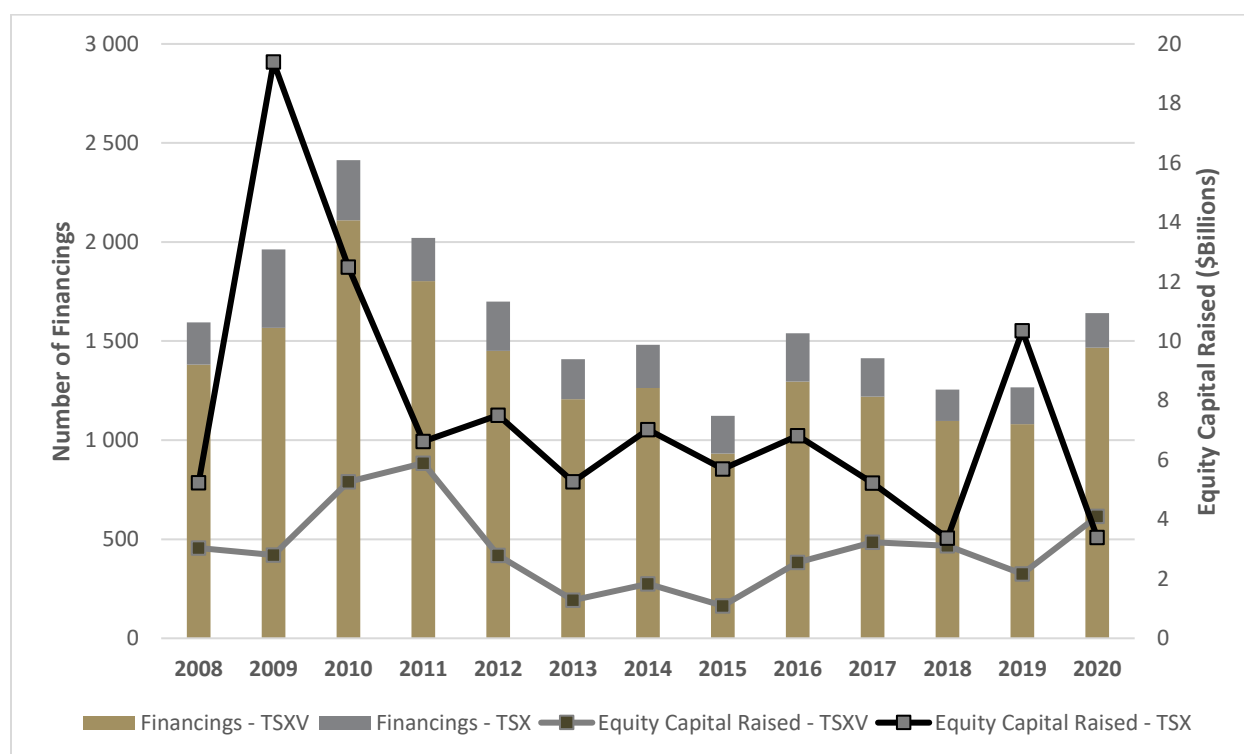
## Iron Ore

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\$158 per tonne, compared to approximately US\$85 per tonne one year ago. In January 2021, the spot price of iron ore reached a five-year high of approximately US\$170 per tonne.

## Market Participants

The mining industry has strengthened during the past five years after a prolonged downturn ended in early 2016. Metal prices have increased, driving higher mining equity valuations and increased financing activity. Over the past 12 months, market conditions have improved for both precious metals and base metals mining companies, supported by substantial increases in the underlying commodity prices

TSX / TSX-V Mining Sector Financings (2008 to 2020)



Mining companies listed on the Toronto Stock Exchange ("TSX") and the TSX-Venture Exchange ("TSX-V") completed more financings in 2020 than in any calendar year since 2012. According to TMX Group, they completed 1,642 financings in 2020 and raised \$7.5 billion of equity capital, compared to 1,266 financings raising \$12.5 billion of equity capital in 2019. The equity capital figure for 2019 includes a \$7.7 billion rights offering completed by a subsidiary of Glencore PLC. Excluding that transaction, the total equity capital raised by mining companies listed on the TSX and TSX-V in 2020 was significantly higher than 2019. In 2018, mining companies on the TSX and TSV-V completed 1,255 financings and raised \$6.5 billion of equity capital, according to TMX Group.

A report from S&P Global Market Intelligence Metals and Mining Research (January 2021) stated that global mining financing for junior and intermediate companies increased to US\$1.6 billion in December 2020. That compares to US\$980 million in November 2020, which was itself a three-month high.

Beginning in March 2020, global mining exploration activity declined significantly due to government restrictions that were imposed on business activities in response to the COVID-19 pandemic. However, activity has subsequently gradually rebounded. According to S&P Global Market Intelligence Metals and Mining Research (January 2021), drilling results were reported from 270 projects in December 2020, an increase of 18% from 228 projects in the prior month. Results were reported from just 152 projects in March 2020 at the onset of the pandemic, which was the lowest monthly level of the year.

According to preliminary analysis from S&P Global Market Intelligence's Corporate Exploration Strategies series (October 2020), global exploration budgets for nonferrous metals were an estimated US\$8.7 billion in 2020, a decline of 11% from US\$9.8 billion in 2019. S&P is "cautiously optimistic" about budgets for 2021, noting elevated gold and copper prices and stronger equity market support compared to 2019 levels.

## OVERALL PERFORMANCE

### Results of operations for the second quarter ended December 31, 2020

<b>SECOND QUARTER ENDED DECEMBER 31</b> <b>* (\$millions)</b>	<b>Fiscal 2021</b> <b>2<sup>nd</sup> Quarter</b>	<b>Fiscal 2020</b> <b>2<sup>nd</sup> Quarter</b>	<b>2021 vs. 2020</b> <b>Variance</b>
<b>Revenue *</b>	<b>36.1</b>	38.3	<b>(2.2)</b>
<b>Gross profit *</b>	<b>5.4</b>	2.4	<b>3.0</b>
<b>Gross margin (%)</b>	<b>14.9</b>	6.3	<b>8.6</b>
<b>Adjusted gross margin (%) <sup>(1)</sup></b>	<b>21.3</b>	12.5	<b>8.8</b>
<b>Net earnings (loss) *</b>	<b>0.3</b>	(2.4)	<b>2.7</b>
<b>Net earnings (loss) per common share - Basic (\$)</b>	<b>0.01</b>	(0.06)	<b>0.07</b>
<b>- Diluted (\$)</b>	<b>0.01</b>	(0.06)	<b>0.07</b>
<b>EBITDA * <sup>(2)</sup></b>	<b>4.4</b>	1.0	<b>3.4</b>
<b>Metres drilled</b>	<b>376,303</b>	365,696	<b>10,607</b>

<sup>(1)</sup> Reflects gross margin, excluding depreciation expenses. See "Reconciliation of non-IFRS financial measures"

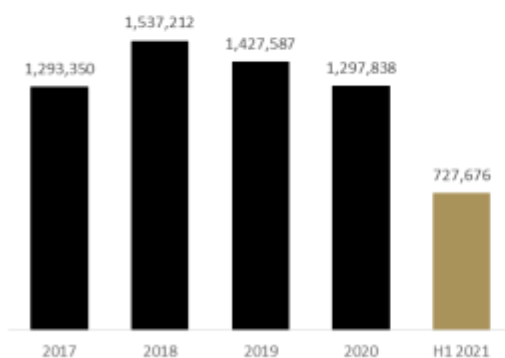
<sup>(2)</sup> EBITDA = Earnings before interest, taxes, depreciation and amortization. See "Reconciliation of non-IFRS financial measures."

During Q2 2021, Orbit Garant drilled 376,303 metres, compared to 365,696 metres drilled in Q2 2020. Average revenue per metre drilled in Q2 2021 was \$95.08 compared to \$104.53 in Q2 2020. The decrease in average revenue per metre drilled is primarily attributable to a lower proportion of specialized drilling activity, which is priced at a higher rate than conventional drilling. The Company recorded \$0.2 million in financial aid from the Government of Canada through the CEWS program in Q2 2021. This amount was recognized as a reduction of cost of contract revenue (none in Q2 2020).

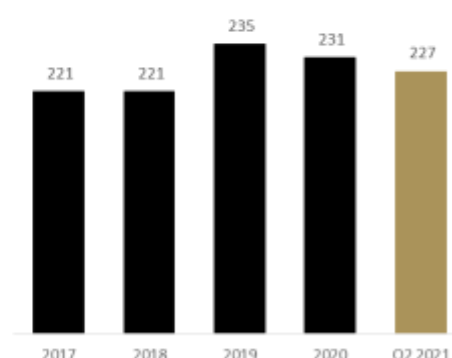
Orbit Garant had 227 drill rigs as at December 31, 2020. During the quarter, the Company purchased one drill rig, dismantled two conventional drill rigs and sold three others. Orbit Garant currently has 43 drill rigs outfitted with computerized monitoring and control technology.



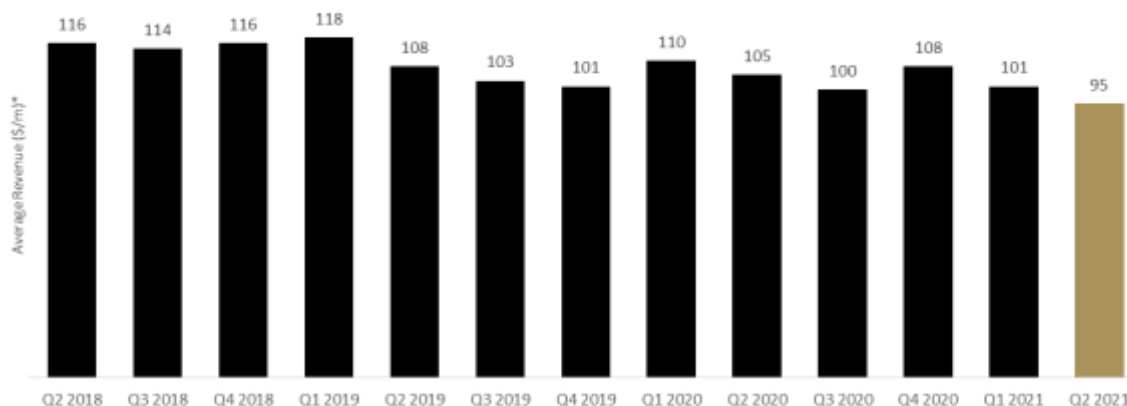
### Metres Drilled



### Number of Drills



### Average Revenue per Metre Drilled



\* Figures are rounded to the nearest dollar.

## ANALYSIS OF THE SECOND QUARTER OF FISCAL 2021 COMPARED TO THE SECOND QUARTER OF FISCAL 2020

### Contract Revenue

Revenue for Q2 2021 totalled \$36.1 million, compared to \$38.3 million for Q2 2020. The decrease in revenue was primarily attributable to a decrease in international drilling activities due to the impact of the COVID-19 pandemic.

Canada revenue totalled \$29.4 million in Q2 2021, compared to \$28.6 million in Q2 2020. The Company's Canadian drilling operations gradually ramped up in the latter half of Q4 2020 and throughout Q1 2021 and Q2 2021. The Company's drilling activities in Canada have now returned to pre-pandemic levels.

International revenue decreased to \$6.6 million in Q2 2021, from \$9.7 million in Q2 2020. The decrease was primarily attributable to a decline in drilling activities in Chile, partially offset by an increase in drilling activity in West Africa.

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

Gross profit for Q2 2021 was \$5.4 million, an increase of \$3.0 million from \$2.4 million in Q2 2020. Gross margin for Q2 2021 was 14.9% compared to 6.3% in Q2 2020. Depreciation expenses totalling \$2.3 million are included in the cost of contract revenue for Q2 2021, compared to \$2.4 million in Q2 2020. Adjusted gross margin, excluding depreciation expenses, was 21.3% in Q2 2021, compared to adjusted gross margin of 12.5% in Q2 2020. Orbit Garant's gross profit and margins were positively impacted by improved operational efficiencies and cost reduction initiatives, which offset the additional logistical challenges and related costs due to COVID-19.

### **General and Administrative Expenses**

General and Administrative ("G&A") expenses were \$3.7 million (representing 10.1% of revenue) in Q2 2021, compared to \$4.2 million (representing 10.8% of revenue) in Q2 2020. The Company's decline in G&A expenses reflects cost reduction measures that were implemented following the onset of the pandemic.

### **Operating Results**

Earnings from operations for Q2 2021 were \$2.7 million, compared to operating loss of \$0.6 million in Q2 2020.

Drilling Canada's operating earnings totalled \$3.5 million in Q2 2021, compared to an operating loss of \$0.1 million in Q2 2020. The positive variance reflects improved operational efficiencies and cost reduction initiatives.

Drilling International's operating loss totalled \$0.8 million in Q2 2021, compared to an operating loss of \$0.5 million in Q2 2020. The operating loss in Q2 2021 was primarily attributable to the impact of the pandemic in Chile, as discussed above.

### **Foreign Exchange Loss**

Foreign exchange loss was \$0.1 million in Q2 2021, compared to a negligible amount in Q2 2020.

### **EBITDA (see Reconciliation of non-IFRS financial measures)**

EBITDA totalled \$4.4 million in Q2 2021, compared to \$1.0 million in Q2 2020. EBITDA were positively impacted by improved operational efficiencies and cost reduction initiatives.

### **Financial Expenses**

Interest costs related to long-term debt and bank charges were \$0.7 million in Q2 2021, in line with Q2 2020.

### **Income Tax (Recovery)**

Income tax expense was \$0.5 million in Q2 2021, compared to an income tax recovery of \$0.1 million in Q2 2020.

### **Net Earnings**

Net earnings for Q2 2021 were \$0.3 million, or \$0.01 per share, compared to net loss of \$2.4 million, or \$0.06 per share, in Q2 2020. The positive variance reflects increased gross margins positively impacted by improved operational efficiencies and cost reduction initiatives.

SIX MONTHS ENDED DECEMBER 31, 2020 COMPARED TO SIX MONTHS ENDED DECEMBER 31, 2019

SIX MONTHS ENDED DECEMBER 31 * (\$millions)	Fiscal 2021 Six Months	Fiscal 2020 Six Months	2021 vs. 2020 Variance
Revenue *	71.7	81.6	(9.9)
Gross profit *	14.1	9.3	4.8
Gross margin (%)	19.7	11.5	8.2
Adjusted gross margin (%) <sup>(1)</sup>	26.3	17.2	9.1
Net earnings (loss) *	3.8	(1.3)	5.1
Net earnings (loss) per common share - Basic (\$)	0.10	(0.03)	0.13
- Diluted (\$)	0.10	(0.03)	0.13
EBITDA * <sup>(2)</sup>	12.8	6.1	6.7
Metres drilled	727,676	753,120	(25,444)

<sup>(1)</sup> Reflects gross margin, excluding depreciation expenses. See "Reconciliation of non-IFRS financial measures"

<sup>(2)</sup> EBITDA = Earnings before interest, taxes, depreciation and amortization. See "Reconciliation of non-IFRS financial measures"

### Contract Revenue

Revenue totalled \$71.7 million for the six-month period ended December 31, 2020, compared to \$81.6 million during the comparable period in fiscal 2019. The decrease in revenue was primarily attributable to a global decrease in drilling activities due to the impact of the COVID-19 pandemic.

Canada revenue totalled \$60.8 million for the first six months of fiscal 2021, compared to \$64.0 million for the same period last fiscal year, a decrease of \$3.2 million. The decrease was primarily attributable to a year-over-year decline in metres drilled in Q1 2021. The Company's Canadian drilling operations began to gradually ramp up in the last half of Q4 2020 and have now returned to pre-COVID-19 levels.

International revenue totalled \$10.9 million for the six months ended December 31, 2020, compared to \$17.6 million in the comparable period last fiscal year, a decrease of \$6.7 million. The decrease in international revenue is primarily attributable to the decline in drilling activities due to the pandemic, partially offset by an increase in drilling activities in West Africa during Q2 2021.

### Gross Profit and Margins (Adjusted gross profit and margins - see Reconciliation of non-IFRS financial measures)

Gross profit for the first six months of fiscal 2021 was \$14.1 million, compared to \$9.3 million in the comparable period of fiscal 2020. Gross margin was 19.7% compared to 11.5% for the same period a year ago. Depreciation expenses totalling \$4.7 million are included in cost of contract revenue for the first half of fiscal 2021, in line with the corresponding period last fiscal year. Adjusted gross margin, excluding depreciation expenses, was 26.3% for the first half of fiscal 2020, compared to adjusted gross margin of 17.2% for the comparable period last fiscal year. Margins were positively impacted by improved operational efficiencies, cost reduction initiatives and government assistance programs, which offset the additional logistical challenges and related costs due to COVID-19. In the first half of fiscal 2021, the cost of contact revenue was reduced by \$2.6 million as a result of financial support recorded from the CEWS program.

### General and Administrative Expenses

G&A expenses were \$6.9 million (representing 9.6% of revenue) for the six-month period ended December 31, 2020, compared to \$8.5 million (representing 10.5% of revenue) for the comparable period a year ago. The Company's decline in G&A expenses for the first half to fiscal 2021, reflects a \$0.2 million reduction resulting from financial support from the CEWS program and cost reduction initiatives that were implemented following the onset of the pandemic.

## **Operating Results**

Earnings from operations for the six-month period ended December 31, 2020 were \$9.1 million, compared to operating earnings of \$3.1 million for the first half of fiscal 2020.

Drilling Canada's operating earnings totalled \$11.4 million, compared to operating earnings of \$5.2 million in the first half of fiscal 2020. The increase reflects the Company's operational efficiencies, initiatives to reduce costs following the onset of the pandemic, and the \$2.6 million in financial support that Orbit Garant recorded from the CEWS program.

Drilling International's operating loss was \$2.3 million, compared to an operating loss of \$2.1 million in the first half of fiscal 2020. The increased operating loss for the first half of fiscal 2021 is primarily attributable to the impact of the pandemic, as discussed above.

## **Foreign Exchange Loss**

Foreign exchange loss was negligible for the six-month period ended December 31, 2020, compared to a foreign exchange loss of \$0.2 million in the first half of fiscal 2020.

## **EBITDA (see Reconciliation of non-IFRS financial measures)**

EBITDA was \$12.8 million for the six-month period ended December 31, 2020, compared to \$6.1 million in the comparable period last fiscal year. EBITDA in the first half of fiscal 2020 includes \$2.8 million in financial support that the Company recorded from the CEWS program.

## **Financial Expenses**

Interest costs related to long-term debt, lease liabilities and bank charges were \$1.3 million for the first half of fiscal 2021, compared to \$1.4 million during the comparable period last year.

## **Income Tax (Recovery)**

Income tax expense was \$2.1 million in the six-month period ended December 31, 2020, compared to \$0.4 million for the comparable period in fiscal 2020.

## **Net Earnings (Loss)**

Net earnings for the six-month period ended December 31, 2020 were \$3.8 million, or \$0.10 per share, compared to a net loss of \$1.3 million, or \$0.03 per share, for the first half of fiscal 2020. The increase in net earnings reflects improved gross margins positively impacted by improved operational efficiencies, cost reduction initiatives and \$2.8 million recorded from the CEWS program, partially offset by a decline in drilling activities due to the pandemic, particularly during Q1 2021.

## SUMMARY OF QUARTERLY RESULTS

* (\$millions)	Fiscal 2021		Fiscal 2020				Fiscal 2019		
	Dec 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31	
Contract revenue *	36.1	35.6	20.2	36.0	38.3	43.3	44.4	37.4	
Gross profit <sup>(1)*</sup>	5.4	8.7	2.3	1.3	2.4	6.9	4.7	3.1	
Gross margin %	14.9	24.6	11.5	3.5	6.3	16.0	10.6	8.2	
Net earnings (loss) *	0.3	3.5	(2.7)	(3.4)	(2.4)	1.1	(0.8)	(1.4)	
Net earnings (loss) per common share (\$)	- Basic	0.01	0.09	(0.08)	(0.09)	(0.06)	0.03	(0.02)	(0.04)
	- Diluted	0.01	0.09	(0.08)	(0.09)	(0.06)	0.03	(0.02)	(0.04)

<sup>(1)</sup> Includes amortization and depreciation expenses related to operations.

## 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 \$2.7 million in Q2 2021, compared to \$1.2 million in Q2 2020.

The change in non-cash operating working capital items was an inflow of \$2.3 million, compared to an outflow of \$0.3 million in Q2 2020. The change in non-cash operating working capital in Q2 2021 was primarily attributable to:

- \$2.0 million related to a decrease in total of accounts receivable and prepaid expenses, and
- \$1.3 million related to an increase in accounts payable, partially offset by
- \$1.0 million related to an increase in inventory.

### Investing Activities

Cash used in investing activities totalled \$0.4 million in Q2 2021, compared to \$3.2 million in Q2 2020. During Q2 2021, \$1.2 million was used for the acquisition of property, plant and equipment, partially offset by a cash inflow of \$0.8 million on disposal of investments, property, plant and equipment.

### Financing Activities

During Q2 2021, the Company's financing activities resulted in a \$5.7 million reduction of debt and lease liabilities, compared to an increase of \$1.5 million in Q2 2020.

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 2020 and future quarters.

The Company repaid a net amount of \$5.0 million during Q2 2021 on its Credit Facility, compared to a withdrawal of \$2.3 million in Q2 2020. The Company's long-term debt, under the Credit Facility, including US\$1.0 million (\$1.3 million) drawn from the US\$5.0 million revolving credit facility and the current portion, was \$21.6 million as at December 31, 2020, compared to \$28.7 million as at June 30, 2020, a decrease of \$7.1 million..

As at December 31, 2020, the Company's working capital totalled \$31.4 million, compared to \$52.1 million as at June 30, 2020. The decline in working capital resulted from the reclassification of the amount outstanding under the Credit Facility from non-current to current liabilities due to the fact that the maturity date of the Credit Facility is currently November 2, 2021. 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 December 31, 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. The Credit Facility matures no later than November 2, 2021 and, therefore, the Credit Agreement has been reclassified as a current liability. The Company and the Lender are discussing an amendment and renewal of the Credit Facility to take into account the Company's current and expected financial position and the current market environment. The Company expects that availability under the Credit Facility will continue to provide it with sufficient liquidity to fund its working capital and capital asset acquisition requirements.

As at December 31, 2020, the Company had drawn \$21.6 million (\$28.7 million as at June 30, 2020) 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 was initially 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. 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. Orbit Garant's long-term debt under

the EDC Loan, including the current portion, amounted to \$5.2 million as at December 31, 2020 (\$5.9 million as at June 30, 2020).

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.

### **OUTSTANDING SECURITIES AS AT FEBRUARY 10, 2021**

Number of common shares	37,021,756
Number of options	3,396,434
Fully diluted	40,418,190

On October 1, 2020, the Company issued 75,000 options at an exercise price of \$0.93 per share. On December 2, 2020, 735,000 options were issued at an exercise price of \$0.80 per share. During Q2 2020, 562,566 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 three and six-month periods ended December 31, 2020 and December 31, 2019, the Company entered into the following transactions with its related company and with persons related to directors:

*((\$thousands)	3 months ended December 31, 2020	3 months ended December 31, 2019	6 months ended December 31, 2020	6 months ended December 31, 2019
<b>Revenue*</b>	6	18	12	32
<b>Expenses*</b>	38	37	75	75

As at December 31, 2020, a negligible amount was a receivable resulting from these transactions (negligible amount as at June 30, 2020).

All of these related party transactions were made in the normal course of business and 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 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)	3 months ended December 31, 2020	3 months ended December 31, 2019	6 months ended December 31, 2020	6 months ended December 31, 2019
Salaries and fees *	283	313	534	818
Share-based compensation*	114	105	114	105
Total*	397	418	648	923

## BASIS OF PREPARATION

### Basis of presentation

The Company's unaudited 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 unaudited 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 unaudited 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 unaudited 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 unaudited interim condensed consolidated financial statements were approved for issue by the Board of Directors of Orbit Garant Drilling Inc. on February 10, 2021.

### Principles of consolidation

The Company's unaudited 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 \$0.7 million and long-term debt of \$0.6 million 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.

## STANDARDS AND INTERPRETATIONS NOT YET 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 unaudited interim condensed consolidated financial statements.

## RECONCILIATION OF NON - IFRS FINANCIAL MEASURES

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

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

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

## EBITDA

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

## Reconciliation of EBITDA

(unaudited) (in millions of dollars)	3 months ended December 31, 2020	3 months ended December 31, 2019	6 months ended December 31, 2020	6 months ended December 31, 2019
Net earnings (net loss) for the period	0.3	(2.4)	3.8	(1.3)
Add:				
Finance costs	0.7	0.7	1.3	1.4
Income tax expense (recovery)	0.5	(0.1)	2.1	0.4
Depreciation and amortization	2.9	2.8	5.6	5.6
EBITDA	4.4	1.0	12.8	6.1

## 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 December 31, 2020	3 months ended December 31, 2019	6 months ended December 31, 2020	6 months ended December 31, 2019
Contract revenue	36.1	38.3	71.7	81.6
Cost of contract revenue (including depreciation)	30.7	35.9	60.2	72.3
Less depreciation	(2.3)	(2.4)	(4.7)	(4.7)
Direct costs	28.4	33.5	55.5	67.6
Adjusted gross profit	7.7	4.8	16.2	14.0
Adjusted gross margin (%) <sup>(1)</sup>	21.3	12.5	22.6	17.2

<sup>(1)</sup> 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 the first quarter of fiscal 2021. The Company's Chilean operations continue to be negatively impacted by COVID-19. 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 any worsening COVID-19 outbreaks and the actions taken to contain or resolve any outbreaks. 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 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 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 at February 10, 2021, 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.

## **OUTLOOK**

Orbit Garant continues to monitor market conditions in the mining sector and the impact of the COVID-19 pandemic on its business. Orbit Garant is ramping up its operations in Canada and West Africa, but the Company's business activity in Chile continues to be at lower levels compared to pre-pandemic levels. It is currently unclear if or when Orbit Garant's overall 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. The current strong price of gold may incentivize mining companies to increase exploration and development spending on gold projects in the near term. Orbit Garant is well positioned for increased drilling services demand in the gold sector as it derives approximately 78% of its revenue from gold related projects.

Management is also encouraged by the strong rebound in the price of copper, which has increased by approximately 78% 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. The current strength in the price of copper could incentivize increased exploration and development spending on copper projects.

Orbit Garant generated 85% of its revenue from its Canadian operations in the first half of fiscal 2021. 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 \$0.79 US dollars.

Orbit Garant's international operations provide enhanced market, customer and commodity diversification, as well as increased access to higher margin specialized drilling activity. In South America, Orbit Garant is currently working on projects in Chile and Guyana. In West Africa, the Company is currently working on projects in Burkina Faso, Ghana and Guinea.

Civil unrest and widespread protests in Chile as well as regional security concerns in Burkina Faso 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 subsequently disrupted most of the Company's remaining mineral drilling projects in these countries. The Company believes that the impact of the civil protests in Chile on mineral drilling projects has now diminished. Orbit Garant's drilling projects in Burkina Faso are in areas of the country that have historically experienced less incidents of violence. The Company continues to monitor regional security concerns 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 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 demonstrated a significant increase in productivity rates compared to conventional drill rigs. Orbit Garant's customers have responded positively to this improved performance, which has led to new or renewed 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 continues to ramp up its operations in the jurisdictions that have lifted or eased COVID-19 related restrictions. Orbit Garant will also continue to evaluate opportunities to further expand its market presence both in Canada and abroad.

### **DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

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.

For the three and six-month periods ended December 31, 2020; there have been no significant changes to the ICFR and no change in the assessment of the effectiveness of the Company's ICFR. Accordingly, the CEO and CFO have concluded that the design and operation were effective at a reasonable level as at the end of the period covered by this report.