



**Unaudited Interim Condensed Consolidated  
Financial Statements**

**Third Quarter Fiscal 2021**

(For the three and nine-month periods ended March 31, 2021 and 2020)

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 (Loss)**

For the three and nine month periods ended March 31, 2021 and 2020

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

(Unaudited)

	Notes	March 31 2021 (3 months) \$	March 31 2020 (3 months) \$	March 31 2021 (9 months) \$	March 31 2020 (9 months) \$
<b>Contract revenue</b>	19	40,504	36,000	112,195	117,571
Cost of contract revenue	5	37,334	34,742	94,902	106,962
Gross profit		3,170	1,258	17,293	10,609
<b>Expenses (income)</b>					
General and administrative expenses		3,662	3,992	10,560	12,533
Foreign exchange (gain) loss		484	(263)	509	(44)
Finance costs		490	725	1,790	2,129
Provision for litigation	15	(1,962)	-	(1,962)	-
	5	2,674	4,454	10,897	14,618
Earnings (loss) before income taxes		496	(3,196)	6,396	(4,009)
<b>Income tax expense (recovery)</b>	13				
Current		57	347	346	220
Deferred		(190)	(174)	1,584	397
		(133)	173	1,930	617
<b>Net earnings (loss)</b>		629	(3,369)	4,466	(4,626)
<b>Net earnings (loss) per share</b>	12				
Basic		0.02	(0.09)	0.12	(0.12)
Diluted		0.02	(0.09)	0.12	(0.12)

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

For the three and nine month periods ended March 31, 2021 and 2020

(in thousands of Canadian dollars)

(Unaudited)

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	March 31 2021 (3 months)	March 31 2020 (3 months)	March 31 2021 (9 months)	March 31 2020 (9 months)
	\$	\$	\$	\$
<b>Net earnings (loss)</b>	629	(3,369)	4,466	(4,626)
<b>Other comprehensive earnings (loss)</b>				
Cumulative translation adjustments	(568)	5	(229)	(1,242)
Other comprehensive earnings (loss), net of income tax	(568)	5	(229)	(1,242)
<b>Comprehensive earnings (loss)</b>	61	(3,364)	4,237	(5,868)

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# ORBIT GARANT DRILLING INC.

## Interim Condensed Consolidated Statements of Changes in Equity

For the nine month periods ended March 31, 2021 and 2020

(in thousands of Canadian dollars)

(Unaudited)

Nine-month period ended March 31, 2021					Total
	Share capital	Equity-settled reserve	Retained earnings	Accumulated other comprehensive earnings (loss)	Shareholders' equity
	\$	\$	\$	\$	\$
	(Note 12)				
<b>Balance as at July 1, 2020</b>	58,857	1,309	10,047	(2,208)	68,005
<b>Total comprehensive earnings (loss)</b>					
Net earnings	-	-	4,466	-	4,466
Other comprehensive loss					
Cumulative translation adjustments	-	-	-	(229)	(229)
Other comprehensive loss	-	-	-	(229)	(229)
Transactions with shareholders, recorded directly in equity					
Share-based compensation (Note 12)	-	172	-	-	172
Share options cancelled	-	(133)	133	-	-
Total transactions with shareholders	-	39	133	-	172
<b>Balance as at March 31, 2021</b>	58,857	1,348	14,646	(2,437)	72,414

Nine-month period ended March 31, 2020					Total
	Share capital	Equity-settled reserve	Retained earnings	Accumulated other comprehensive loss	Shareholders' equity
	\$	\$	\$	\$	\$
	(Note 12)				
<b>Balance as at July 1, 2019</b>	58,857	1,486	16,971	(738)	76,576
<b>Total comprehensive earnings (loss)</b>					
Net loss	-	-	(4,626)	-	(4,626)
Other comprehensive loss					
Cumulative translation adjustments	-	-	-	(1,242)	(1,242)
Other comprehensive loss	-	-	-	(1,242)	(1,242)
Transactions with shareholders, recorded directly in equity					
Share-based compensation (Note 12)	-	211	-	-	211
Share options cancelled	-	(339)	339	-	-
Total transactions with shareholders	-	(128)	339	-	211
<b>Balance as at March 31, 2020</b>	58,857	1,358	12,684	(1,980)	70,919

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

As at March 31, 2021 and June 30, 2020

(in thousands of Canadian dollars)

(Unaudited)

	Notes	March 31 2021	June 30 2020
		\$	\$
(Recast - Note 2)			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		3,735	4,996
Restricted cash	15	1,539	-
Trade and other receivables		33,499	21,122
Inventories		48,910	49,055
Income taxes receivable		1,407	1,478
Prepaid expenses		815	827
		89,905	77,478
<b>Non-current assets</b>			
Investments	7	294	317
Deposit on equipment purchase	16	513	-
Property, plant and equipment	8	38,125	41,079
Right-of-use assets		2,076	4,486
Intangible assets		248	588
Deferred tax assets		4,344	5,890
<b>Total assets</b>		<b>135,505</b>	<b>129,838</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		26,502	18,452
Income taxes payable		5	5
Factoring liability		915	-
Current portion of long-term debt	9	2,555	1,979
Current portion of lease liabilities	10	529	2,954
Provision for litigation	15	-	2,035
		30,506	25,425
<b>Non-current liabilities</b>			
Long-term debt	9	31,113	34,759
Lease liabilities	10	1,472	1,649
		63,091	61,833
<b>EQUITY</b>			
Share capital	12	58,857	58,857
Equity-settled reserve		1,348	1,309
Retained earnings		14,646	10,047
Accumulated other comprehensive loss		(2,437)	(2,208)
Equity attributable to shareholders		72,414	68,005
<b>Total liabilities and equity</b>		<b>135,505</b>	<b>129,838</b>

Contingencies and commitments (notes 15 and 16)

**APPROVED BY THE BOARD**


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 Éric Alexandre, Director

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 Nicole Veilleux, Director

# ORBIT GARANT DRILLING INC.

## Interim Condensed Consolidated Statements of Cash Flows

For the three and nine month periods ended March 31, 2021 and 2020

(in thousands of Canadian dollars)

(Unaudited)

	Notes	(Recast - Note 2)		(Recast - Note 2)	
		March 31 2021 (3 months)	March 31 2020 (3 months)	March 31 2021 (9 months)	March 31 2020 (9 months)
		\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>					
Earnings (loss) before income taxes		496	(3,196)	6,396	(4,009)
Items not affecting cash					
Depreciation of property, plant and equipment		2,310	2,531	7,342	7,535
Depreciation of right-of-use assets		144	198	459	497
Amortization of intangible assets		110	107	334	318
(Gain) loss on disposal of property, plant and equipment	8	(62)	(47)	(294)	35
Share-based compensation	12	52	62	172	211
Finance costs		490	725	1,790	2,129
Restricted cash	15	390	-	(1,539)	-
Net change in fair value of investments	7	39	124	(19)	153
Provision for litigation	15	(1,962)	-	(1,962)	-
		2,007	504	12,679	6,869
Changes in non-cash operating working capital items	14	(1,473)	2,487	(4,366)	(473)
Income taxes paid		(131)	(623)	(275)	(1,686)
Finance costs paid		(614)	(693)	(1,835)	(2,067)
		(211)	1,675	6,203	2,643
<b>INVESTING ACTIVITIES</b>					
Acquisition of investments	7	-	-	-	(30)
Deposit on equipment purchase	16	(513)	-	(513)	-
Acquisition of property, plant and equipment	8	(712)	(2,836)	(2,509)	(8,122)
Proceeds from disposal of investments	7	-	-	238	-
Proceeds from disposal of property, plant and equipment	8	61	127	824	162
		(1,164)	(2,709)	(1,960)	(7,990)
<b>FINANCING ACTIVITIES</b>					
Repayment of balance payable related to a business combination		-	-	-	(3,409)
Proceeds from factoring		915	-	915	-
Proceeds from long-term debt		23,495	20,636	60,341	71,465
Repayment of long-term debt		(18,499)	(19,763)	(62,799)	(62,971)
Repayment of lease liabilities		(2,670)	(183)	(3,057)	(469)
		3,241	690	(4,600)	4,616
Effect of exchange rate changes on cash and cash equivalents		(322)	826	(904)	178
<b>Increase (decrease) in cash and cash equivalents</b>		1,544	482	(1,261)	(553)
<b>Cash and cash equivalents, beginning of the period</b>		2,191	1,445	4,996	2,480
<b>Cash and cash equivalents, end of the period</b>		3,735	1,927	3,735	1,927

See accompanying notes to interim condensed consolidated financial statements.

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# ORBIT GARANT DRILLING INC.

## Notes to Interim Condensed Consolidated Financial Statements

For the three and nine month periods ended March 31, 2021 and 2020

(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 nine-month periods ended March 31, 2021.

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 May 12, 2021.

# ORBIT GARANT DRILLING INC.

## Notes to Interim Condensed Consolidated Financial Statements

For the three and nine month periods ended March 31, 2021 and 2020

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

(Unaudited)

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### 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 years 2020 and 2021 as some projects were put on hold or postponed and some efficiencies were not as optimized.

As at March 31, 2021, 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 nine month periods ended March 31, 2021 and 2020

(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:

	March 31 2021 (3 months)	March 31 2020 (3 months)	March 31 2021 (9 months)	March 31 2020 (9 months)
	\$	\$	\$	\$
Cost of contract revenue	2,152	2,414	6,862	7,089
General and administrative expenses	412	422	1,273	1,261
<b>Total depreciation and amortization</b>	<b>2,564</b>	<b>2,836</b>	<b>8,135</b>	<b>8,350</b>

#### Principal expenses by nature

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

	March 31 2021 (3 months)	March 31 2020 (3 months)	March 31 2021 (9 months)	March 31 2020 (9 months)
	\$	\$	\$	\$
Depreciation and amortization	2,564	2,836	8,135	8,350
Employee benefits expense	21,211	20,379	53,763	63,827
Cost of inventories	8,456	8,896	23,553	25,445
Other expenses	7,777	7,085	20,348	23,958
<b>Total cost of contract revenue, general and administrative expenses, foreign exchange (gain) loss, finance costs and provision for litigation</b>	<b>40,008</b>	<b>39,196</b>	<b>105,799</b>	<b>121,580</b>
Cost of contract revenue	37,334	34,742	94,902	106,962
General and administrative expenses, foreign exchange (gain) loss, finance costs and provision for litigation	2,674	4,454	10,897	14,618
<b>Total cost of contract revenue, general and administrative expenses, foreign exchange (gain) loss, finance costs and provision for litigation</b>	<b>40,008</b>	<b>39,196</b>	<b>105,799</b>	<b>121,580</b>

### 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%. In April 2021, the Government of Canada announced that it is extending the CEWS until September 25, 2021, but that it will gradually phase out the subsidy rates starting on July 4, 2021. Under this change, only employers with a decline in revenue of more than 10% would be eligible for the wage subsidy as of July 4, 2021. The Company has a receivable amount of \$98 as at March 31, 2021 (\$1,848 as at June 30, 2020). For the nine month periods ended March 31, 2021, a total income relating to CEWS of \$2,849 was recognized as a reduction of cost of contract revenue and \$265 as a reduction of general and administrative expenses (\$0 as at March 31, 2020).

# ORBIT GARANT DRILLING INC.

## Notes to Interim Condensed Consolidated Financial Statements

For the three and nine month periods ended March 31, 2021 and 2020

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

(Unaudited)

### 7. INVESTMENTS

	Nine-month period ended March 31, 2021	Year ended June 30, 2020
	\$	\$
Investments in public companies, beginning of the year	317	419
Acquisition of investments	-	30
Conversion of trade receivables	196	-
Proceeds from disposal of investments	(238)	(226)
Change in fair value of investments measured at fair value through profit or loss	19	94
Investments in public companies, end of the period	294	317

### 8. PROPERTY, PLANT AND EQUIPMENT

	March 31 2021 (3 months)	March 31 2020 (3 months)	March 31 2021 (9 months)	(Recast - Note 2) March 31 2020 (9 months)
	\$	\$	\$	\$
Acquisition of property, plant and equipment	712	2,836	2,509	8,122
Transfer from (to) right-of-use assets	2,353	-	2,353	(162)
Proceeds from disposal of property, plant and equipment	(61)	(127)	(824)	(162)
(Gain) loss on disposal of property, plant and equipment	(62)	(47)	(294)	35

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 nine month periods ended March 31, 2021 and 2020

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

(Unaudited)

### 9. LONG-TERM DEBT

	March 31 2021	(Recast - Note 2) June 30 2020
	\$	\$
Loan authorized for a maximum amount of \$6,288 (US\$5,000), bearing interest at prime rate plus 0.25%, effective rate as at March 31, 2021 of 3.50% (June 30, 2020: interest at prime rate plus 0.25%, effective rate of 3.50%), maturing in November 2022, secured by a first rank hypothec on the universality of all present and future assets <sup>(c)</sup>	1,257	1,363
Loan authorized for a maximum amount of \$35,000, bearing interest at prime rate plus 3.50%, effective rate as at March 31, 2021 of 5.95% (June 30, 2020: interest at prime rate plus 3.00%, effective rate of 5.45%), maturing in November 2022, secured by a first rank hypothec on the universality of all present and future assets <sup>(a) (b) (c)</sup>	23,165	27,059
Loan authorized for an amount of \$2,500, bearing interest at prime rate plus 4.50%, effective rate as at March 31, 2021 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 <sup>(b) (e)</sup>	417	727
Loan authorized for an amount of \$6,476 (US\$5,150), bearing interest at prime rate plus 2.75%, effective rate as at March 31, 2021 of 6.00% (June 30, 2020: bearing interest at prime rate plus 2.75%, effective rate of 6.00%), payable in monthly instalments of \$122 (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 <sup>(d) (e)</sup>	4,741	5,929
Loans, totalling CLP\$1,000,000, bearing interest at rates of 3.50%, payable in monthly instalments of \$62 (CLP\$35,507) as from December 2020, maturing in June 2023. <sup>(f)</sup>	1,569	1,660
Loan, totalling CLF 51 bearing interest at rates of 3.30%, payable in monthly instalments of \$22 (CLF 0.43) as from March 2021, maturing in February 2028, secured by land and building. <sup>(g) (h)</sup>	2,519	-
	33,668	36,738
Current portion	(2,555)	(1,979)
	31,113	34,759

# ORBIT GARANT DRILLING INC.

## Notes to Interim Condensed Consolidated Financial Statements

For the three and nine month periods ended March 31, 2021 and 2020

(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 \$257 (\$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 March 8, 2021, the Company entered into the Fourth 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, 2022.
- (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.
- (g) On February 12, 2021, Orbit Garant Chile S.A., a wholly-owned subsidiary of the Company, entered into a financing agreement with Banco Scotiabank for an amount of CLF 51 (\$2,587).
- (h) An unamortized amount of \$53 (\$0 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.

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 March 31, 2021, the Company was compliant with its financial covenants (June 30, 2020: the Company was compliant with its financial covenants).

As at March 31, 2021, 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 March 31, 2021, principal payments required in the next years are as follows:

	\$
Within one year	2,555
Later than one year and no later than five years	29,809
More than five years	1,614
	33,978

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

As at March 31, 2021 \$000s	Total	Within one year	Later than one but no later than five years	Later than five years
	\$	\$	\$	\$
CAN	23,839	417	23,422	-
US (US\$4,770)	5,998	1,264	4,734	-
Chilean UF (CLF 50)	2,572	179	779	1,614
Chilean pesos (CLP\$903,675)	1,569	695	874	-
	33,978	2,555	29,809	1,614

# ORBIT GARANT DRILLING INC.

## Notes to Interim Condensed Consolidated Financial Statements

For the three and nine month periods ended March 31, 2021 and 2020

(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 nine-month periods ended March 31, 2021 and 2020 is as follows:

	March 31	(Recast - Note 2)	March 31	(Recast - Note 2)
	2021	March 31	2021	March 31
	(3 months)	(3 months)	(9 months)	(9 months)
	\$	\$	\$	\$
Lease liabilities recognized, beginning of period	4,767	5,101	4,603	4,598
Additions	-	61	233	1,032
Disposals	(17)	-	(62)	-
Finance cost	39	59	152	175
Payment of lease liabilities, including related finance costs	(2,709)	(242)	(3,209)	(644)
Reassessment of the lease term	-	-	147	-
Foreign exchange differences	(79)	(137)	137	(319)
	2,001	4,842	2,001	4,842
Current portion	529	3,020	529	3,020
<b>Balance, end of period</b>	<b>1,472</b>	<b>1,822</b>	<b>1,472</b>	<b>1,822</b>

Lease payments required in the next years are as follows:

	March 31
	2021
	\$
Within one year	649
Later than one year and no later than five years	1,160
Later than five years	640
	2,449
Less: discounting impact	(448)
Present value of lease payments	2,001

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

	March 31	(Recast - Note 2)
	2021	June 30
	\$	\$
Current portion	529	2,954
Non-current portion	1,472	1,649
	2,001	4,603

# ORBIT GARANT DRILLING INC.

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### 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:

	March 31 2021	(Recast - Note 2) June 30 2020
	\$	\$
Long-term debt	33,668	36,738
Lease liabilities	2,001	4,603
Share capital	58,857	58,857
Equity-settled reserve	1,348	1,309
Retained earnings	14,646	10,047
Accumulated other comprehensive loss	(2,437)	(2,208)
Cash and equivalents	(3,735)	(4,996)
	104,348	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 March 31, 2021, as mentioned in Note 9, the Company complied with its covenants (June 30, 2020: the Company was compliant with its financial covenants).

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

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

# ORBIT GARANT DRILLING INC.

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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.

	Nine-month period ended March 31, 2021		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 stock 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 stock method. For the numbers in the comparative periods, stock options are not included in the computation of diluted net loss per share as their inclusion would be anti-dilutive.

	March 31 2021 (3 months)		March 31 2020 (3 months)		March 31 2021 (9 months)		March 31 2020 (9 months)	
<b>Net earnings (loss) per share - basic</b>								
Net earnings (loss) attributable to common shareholders	\$	629	\$	(3,369)	\$	4,466	\$	(4,626)
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	\$	0.02	\$	(0.09)	\$	0.12	\$	(0.12)

	March 31 2021 (3 months)		March 31 2020 (3 months)		March 31 2021 (9 months)		March 31 2020 (9 months)	
<b>Net earnings (loss) per share - diluted</b>								
Net earnings (loss) attributable to common shareholders	\$	629	\$	(3,369)	\$	4,466	\$	(4,626)
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 - stock options		181,684		-		149,092		-
Weighted average diluted number of common shares outstanding		37,203,440		37,021,756		37,170,848		37,021,756
Net earnings (loss) per share - diluted	\$	0.02	\$	(0.09)	\$	0.12	\$	(0.12)

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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:

	March 31, 2021 (9 months)		March 31, 2020 (9 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	(646,500)	1.06	(386,000)	2.26
Outstanding at end of the period	3,318,500	1.20	3,270,500	1.30
Exercisable at end of the period	1,790,834	1.41	1,797,469	1.30

The following table summarizes information on share options outstanding as at March 31, 2021:

Range of exercise price \$	Outstanding at March 31, 2021	Weighted average remaining life (years)	Weighted average exercise price \$	Exercisable at March 31, 2021	Weighted average exercise price \$
0.50 - 1.49	2,055,500	3.59	0.80	754,500	0.76
1.50 - 2.49	1,263,000	2.34	1.86	1,036,334	1.89
	3,318,500			1,790,834	

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:

	March 31 2021 (3 months)	March 31 2020 (3 months)	March 31 2021 (9 months)	March 31 2020 (9 months)
Expense related to share-based compensation	\$ 52	\$ 62	\$ 172	\$ 211



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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.

	March 31 2021 (3 months)	March 31 2020 (3 months)	March 31 2021 (9 months)	March 31 2020 (9 months)
Earnings (loss) before income taxes	\$ 496	\$ (3,196)	\$ 6,396	\$ (4,009)
Statutory rates	26.50%	26.55%	26.50%	26.55%
Income taxes based on statutory rates	131	(849)	1,695	(1,064)
Increase (decrease) of income taxes due to the following:				
Non-deductible expenses	15	18	115	54
Non-deductible share-based compensation expense	14	16	46	55
Difference of income tax rates between territories	(31)	11	(37)	56
Withholdings taxes	36	275	151	555
Income tax assets unrecognized	(280)	586	(2)	955
Non-taxable portion of capital gain	9	(3)	15	(14)
Prior years adjustments	(28)	28	(101)	(52)
Other	1	91	48	72
Total income tax expense (recovery)	(133)	173	1,930	617

### 14. ADDITIONAL INFORMATION RELATING TO THE STATEMENTS OF CASH FLOWS

Changes in non-cash operating working capital items:

	March 31 2021 (3 months)	March 31 2020 (3 months)	March 31 2021 (9 months)	March 31 2020 (9 months)
Trade and other receivables	\$ (9,503)	\$ (239)	\$ (12,573)	\$ 9,005
Inventories	(159)	1,539	145	(6,664)
Prepaid expenses	26	53	12	191
Trade and other payables	8,163	1,134	8,050	(3,005)
	(1,473)	2,487	(4,366)	(473)

# ORBIT GARANT DRILLING INC.

## Notes to Interim Condensed Consolidated Financial Statements

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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 (\$1,899) was confirmed by a court in Burkina Faso. The Company has vigorously disputed this claim and filed an appeal. Based on legal advice, management believes that the claim is unfounded and that the appeal will be successful. The Company recorded a provision of XOF 871,497 (\$1,962) as at June 30, 2020 for this claim and additional legal fees.

During the first half of Fiscal 2021, a total of XOF 857,227 (\$1,929) 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.

On April 1, 2021, the Court of Appeal ruled in favor of the Company and overturned the original decision, resulting in all amounts that had been deposited into the Restricted Cash Account for a total of XOF 857,227 million (\$1,929) being released of which XOF 173,425 (\$390) had already been released in Q3 2021. Notwithstanding the decision of the Court of Appeal, the Claimant has appealed this decision. Based on the assessment of the Company's legal counsel, management considers this appeal to be unfounded. As a result, the recognized liability was reversed during Q3 2021.

### 16. COMMITMENTS AND GUARANTEES

#### Commitments

The Company has commitments for the purchase of equipment totaling \$2,973 (US\$2,364), in addition to the current deposit of \$513, with delivery dates early in fiscal 2022. The Company has entered into short-term and low asset value lease agreements expiring in 2021 which call for total lease payments of \$105 for the rental of offices, \$47 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 \$152 until December 2021.

#### Guarantees

For the nine-month period ended March 31, 2021, the Company issued some bank guarantees in favor of customers for a total amount of \$1,688 (for the nine-month period ended March 30, 2020: \$1,297), maturing between June 2021 and October 2022. For the nine-month periods ended March 31, 2021 and 2020, the Company has not made any payments in connection with these guarantees.

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## Notes to Interim Condensed Consolidated Financial Statements

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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:

	March 31 2021 (3 months)	March 31 2020 (3 months)	March 31 2021 (9 months)	March 31 2020 (9 months)
Revenues	\$ -	\$ 12	\$ 12	\$ 45
Expenses	43	37	118	112

As at March 31, 2021, an amount of \$0 was receivable resulting from these transactions (June 30, 2020: \$6).

In addition, for the nine-month period ended March 31, 2020, repayments of a lease liability totalling \$42 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:

	March 31 2021 (3 months)	March 31 2020 (3 months)	March 31 2021 (9 months)	March 31 2020 (9 months)
Revenues	\$ 2,663	\$ 4,262	\$ 13,396	\$ 15,743

As at March 31, 2021, trade and other receivables included an amount receivable of \$2,058 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 :

	March 31 2021 (3 months)	March 31 2020 (3 months)	March 31 2021 (9 months)	March 31 2020 (9 months)
Salaries and fees	\$ 272	\$ 313	\$ 806	\$ 1,131
Share-based compensation	-	-	114	105
	272	313	920	1,236

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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 most of 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:

<b>Level</b>	<b>Basis for determination of fair value</b>
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 March 31, 2021, 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 March 31, 2021	Carrying value	Fair value	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	3,735	3,735			
Restricted cash	1,539	1,539			
Trade and other receivables	33,499	33,499			
<b>Financial assets measured at fair value</b>					
Investments	294	294	294		
<b>Financial liabilities measured at amortized cost</b>					
Trade and other payables	26,502	26,502			
Long-term debt	33,668	33,668			

As at June 30, 2020	Carrying value	Fair value	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	4,996	4,996			
Trade and other receivables	21,122	21,122			
<b>Financial assets measured at fair value</b>					
Investments	317	317	317		
<b>Financial liabilities measured at amortized cost</b>					
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 nine month period ended March 31, 2021.

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### 19. SEGMENTED INFORMATION

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

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

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

	March 31 2021 (3 months)	March 31 2020 (3 months)	March 31 2021 (9 months)	March 31 2020 (9 months)
Contract revenue	\$	\$	\$	\$
Canada	31,071	28,589	91,886	92,615
International <sup>(1)</sup>	9,433	7,411	20,309	24,956
	40,504	36,000	112,195	117,571
Earnings (loss) from operations				
Canada	1,942	(443)	13,376	4,759
International	(1,522)	(1,526)	(3,901)	(3,665)
	420	(1,969)	9,475	1,094
General and corporate expenses (recovery) <sup>(2)</sup>	(566)	502	1,289	2,974
Finance costs	490	725	1,790	2,129
Income tax expense (recovery)	(133)	173	1,930	617
	(209)	1,400	5,009	5,720
Net earnings (loss)	629	(3,369)	4,466	(4,626)

<sup>(1)</sup> The International operating segment included

Chilean revenue as follows :	3,828	4,234	6,770	13,477
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<sup>(2)</sup> General and corporate expenses include expenses for corporate offices, share options, provision for litigation and certain unallocated costs.

	March 31 2021 (3 months)	March 31 2020 (3 months)	March 31 2021 (9 months)	March 31 2020 (9 months)
Depreciation and amortization	\$	\$	\$	\$
Canada	1,581	1,531	4,475	4,515
International	571	884	2,387	2,574
Total depreciation and amortization included in earnings (loss) from operations	2,152	2,415	6,862	7,089
Unallocated and corporate assets	412	421	1,273	1,261
Total depreciation and amortization	2,564	2,836	8,135	8,350

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### 19. SEGMENTED INFORMATION (continued)

	March 31 2021 (3 months)	March 31 2020 (3 months)	March 31 2021 (9 months)	(Recast - Note 2) March 31 2020 (9 months)
	\$	\$	\$	\$
Non-current assets acquisitions				
Canada	113	2,551	1,732	6,977
International	599	265	746	977
Unallocated and corporate assets	-	20	31	168
	712	2,836	2,509	8,122

	As at March 31, 2021	As at June 30, 2020
	\$	\$
Identifiable assets		
Canada	81,953	86,960
Chile	17,195	15,400
International - Other	36,199	27,478
	135,347	129,838
Property, plant and equipment		
Canada	25,292	29,123
Chile	5,201	3,480
International - Other	7,632	8,476
	38,125	41,079
Right-of-use assets		
Canada	898	936
Chile	109	2,367
International - Other	1,069	1,183
	2,076	4,486
Intangible assets		
International - Other	248	588