



**Unaudited Interim Condensed Consolidated
Financial Statements**

Second Quarter Fiscal 2022

(For the three and six-month periods ended December 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 (Loss) Earnings**

For the three and six-month periods ended December 31, 2021 and 2020

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

(Unaudited)

	Notes	December 31 2021 (3 months) \$	December 31 2020 (3 months) \$	December 31 2021 (6 months) \$	December 31 2020 (6 months) \$
Contract revenue	19	45,882	36,064	96,452	71,691
Cost of contract revenue	4, 5	43,135	30,688	89,952	57,569
Gross profit		2,747	5,376	6,500	14,122
Expenses					
General and administrative expenses	5	3,187	3,655	6,943	6,896
Foreign exchange loss		337	119	430	26
Finance costs		584	703	1,030	1,300
	4	4,108	4,477	8,403	8,222
(Loss) earnings before income taxes		(1,361)	899	(1,903)	5,900
Income tax expense	12				
Current		170	108	236	289
Deferred		202	424	931	1,774
		372	532	1,167	2,063
Net (loss) earnings		(1,733)	367	(3,070)	3,837
Net (loss) earnings per share	11				
Basic		(0.05)	0.01	(0.08)	0.10
Diluted		(0.05)	0.01	(0.08)	0.10

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

For the three and six-month periods ended December 31, 2021 and 2020

(in thousands of Canadian dollars)

(Unaudited)

	December 31 2021 (3 months)	December 31 2020 (3 months)	December 31 2021 (6 months)	December 31 2020 (6 months)
	\$	\$	\$	\$
Net (loss) earnings	(1,733)	367	(3,070)	3,837
Other comprehensive (loss) earnings				
Cumulative translation adjustments	(657)	129	(1,044)	338
Other comprehensive (loss) earnings, net of income tax	(657)	129	(1,044)	338
Comprehensive (loss) earnings	(2,390)	496	(4,114)	4,175

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

For the six-month periods ended December 31, 2021 and 2020

(in thousands of Canadian dollars)

(Unaudited)

Six-month period ended December 31, 2021					Total
	Share capital	Equity-settled reserve	Retained earnings	Accumulated other comprehensive loss	Shareholders' equity
	\$	\$	\$	\$	\$
	(Note 11)				
Balance as at July 1, 2021	59,204	1,452	12,342	(2,650)	70,348
Total comprehensive (loss) earnings					
Net loss	-	-	(3,070)	-	(3,070)
Other comprehensive loss					
Cumulative translation adjustments	-	-	-	(1,044)	(1,044)
Other comprehensive loss	-	-	-	(1,044)	(1,044)
Transactions with shareholders, recorded directly in equity					
Share-based compensation (Note 11)	-	131	-	-	131
Total transactions with shareholders	-	131	-	-	131
Balance as at December 31, 2021	59,204	1,583	9,272	(3,694)	66,365

Six-month period ended December 31, 2020					Total
	Share capital	Equity-settled reserve	Retained earnings	Accumulated other comprehensive loss	Shareholders' equity
	\$	\$	\$	\$	\$
	(Note 11)				
Balance as at July 1, 2020	58,857	1,309	10,047	(2,208)	68,005
Total comprehensive earnings (loss)					
Net earnings	-	-	3,837	-	3,837
Other comprehensive earnings					
Cumulative translation adjustments	-	-	-	338	338
Other comprehensive earnings	-	-	-	338	338
Transactions with shareholders, recorded directly in equity					
Share-based compensation (Note 11)	-	120	-	-	120
Share options cancelled	-	(102)	102	-	-
Total transactions with shareholders	-	18	102	-	120
Balance as at December 31, 2020	58,857	1,327	13,986	(1,870)	72,300

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

As at December 31, 2021 and June 30, 2021

(in thousands of Canadian dollars)

(Unaudited)

	Notes	December 31 2021	June 30 2021
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		1,094	3,256
Trade and other receivables		33,540	40,724
Inventories		49,008	44,684
Income taxes receivable		1,103	1,112
Prepaid expenses		695	796
		85,440	90,572
Non-current assets			
Investments	6	271	259
Deposit on equipment purchase		-	1,909
Property, plant and equipment	7	40,721	39,258
Right-of-use assets		2,541	2,106
Intangible assets		-	141
Deferred tax assets		2,778	3,897
Total assets		131,751	138,142
LIABILITIES			
Current liabilities			
Trade and other payables		30,758	30,486
Income taxes payable		91	7
Factoring liability		1,453	2,880
Current portion of long-term debt	8	2,202	2,524
Current portion of lease liabilities	9	733	635
		35,237	36,532
Non-current liabilities			
Long-term debt	8	28,522	29,901
Lease liabilities	9	1,627	1,361
		65,386	67,794
EQUITY			
Share capital	11	59,204	59,204
Equity-settled reserve		1,583	1,452
Retained earnings		9,272	12,342
Accumulated other comprehensive loss		(3,694)	(2,650)
Equity attributable to shareholders		66,365	70,348
Total liabilities and equity		131,751	138,142

Contingencies and commitments (notes 14 and 15)

APPROVED BY THE BOARD

 Éric Alexandre, Director

 Nicole Veilleux, Director

ORBIT GARANT DRILLING INC.

Interim Condensed Consolidated Statements of Cash Flows

For the three and six-month periods ended December 31, 2021 and 2020

(in thousands of Canadian dollars)

(Unaudited)

		December 31	December 31	December 31	December 31
	Notes	2021	2020	2021	2020
		(3 months)	(3 months)	(6 months)	(6 months)
		\$	\$	\$	\$
OPERATING ACTIVITIES					
(Loss) earnings before income taxes		(1,361)	899	(1,903)	5,900
Items not affecting cash					
Depreciation of property, plant and equipment	7	2,642	2,480	5,195	5,032
Depreciation of right-of-use assets		124	155	259	315
Amortization of intangible assets		26	112	141	224
Gain on disposal of property, plant and equipment	7	(310)	(253)	(442)	(232)
Share-based compensation	11	59	60	131	120
Finance costs		584	703	1,030	1,300
Restricted cash		-	(1,410)	-	(2,042)
Net change in fair value of investments	6	(60)	(5)	(12)	(58)
		1,704	2,741	4,399	10,559
Changes in non-cash operating working capital items	13	2,334	2,282	3,233	(2,893)
Income taxes paid		(155)	(128)	(143)	(169)
Finance costs paid		(665)	(658)	(1,069)	(1,221)
		3,218	4,237	6,420	6,276
INVESTING ACTIVITIES					
Proceeds from disposal of investments	6	-	190	-	238
Acquisition of property, plant and equipment	7	(1,962)	(1,174)	(5,579)	(1,797)
Proceeds from disposal of property, plant and equipment	7	640	611	812	763
		(1,322)	(373)	(4,767)	(796)
FINANCING ACTIVITIES					
Proceeds from factoring		4,267	-	7,320	-
Repayment on factoring		(3,813)	-	(8,525)	-
Proceeds from long-term debt		23,501	18,123	50,104	36,846
Repayment of long-term debt		(25,598)	(23,600)	(51,540)	(44,300)
Repayment of lease liabilities		(143)	(199)	(318)	(387)
		(1,786)	(5,676)	(2,959)	(7,841)
Effect of exchange rate changes on cash and cash equivalents		(791)	(252)	(856)	(444)
Decrease in cash		(681)	(2,064)	(2,162)	(2,805)
Cash and cash equivalents, beginning of the period		1,775	4,255	3,256	4,996
Cash and cash equivalents, end of the period		1,094	2,191	1,094	2,191

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six-month periods ended December 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%
Forage Orbit Garant Guinée SARLU	100%
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 4 to the Company's annual audited consolidated statements for the year ended June 30, 2021 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 5 in the Company's annual audited consolidated financial statements for the year ended June 30, 2021. They remained unchanged for the three and six-month periods ended December 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 2021 annual audited consolidated financial statements.

These interim condensed consolidated financial statements were approved for issue by the Board of Directors of Orbit Garant Drilling Inc. on February 9, 2022.

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six-month periods ended December 31, 2021 and 2020

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

(Unaudited)

2. BASIS OF PREPARATION (continued)

Principles of consolidation

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

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

3. COVID-19

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

The Company's priority is to ensure the health of its employees and business partners as well as ensure the continuity of its business operations and support its customers in their mining operations. The impact of the pandemic has negatively affected the Company's activities in calendar year 2020 and December 2021 as some projects were put on hold or postponed.

As at December 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 8(e)) and (iv) modify certain applicable covenants to its loans. The Company believes it will have sufficient resources to continue its business operations for at least the next twelve months.

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six-month periods ended December 31, 2021 and 2020

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

(Unaudited)

4. EXPENSES BY NATURE

Detail of the depreciation and amortization expenses

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

	December 31 2021 (3 months)	December 31 2020 (3 months)	December 31 2021 (6 months)	December 31 2020 (6 months)
	\$	\$	\$	\$
Cost of contract revenue	2,538	2,318	4,992	4,710
General and administrative expenses	254	429	603	861
Total depreciation and amortization	2,792	2,747	5,595	5,571

Principal expenses by nature

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

	December 31 2021 (3 months)	December 31 2020 (3 months)	December 31 2021 (6 months)	December 31 2020 (6 months)
	\$	\$	\$	\$
Depreciation and amortization	2,792	2,747	5,595	5,571
Employee benefits expense	23,271	18,398	48,371	32,552
Cost of inventories	9,891	6,999	21,028	15,096
Other expenses	11,289	7,021	23,361	12,572
Total cost of contract revenue, general and administrative expenses, foreign exchange loss and finance costs	47,243	35,165	98,355	65,791
Cost of contract revenue	43,135	30,688	89,952	57,569
General and administrative expenses, foreign exchange loss and finance costs	4,108	4,477	8,403	8,222
Total cost of contract revenue, general and administrative expenses, foreign exchange loss and finance costs	47,243	35,165	98,355	65,791

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six-month periods ended December 31, 2021 and 2020

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

(Unaudited)

5. 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 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 was extending the CEWS until September 25, 2021, but that it would 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. In July 2021, the Government of Canada announced that it was extending the CEWS until October 23, 2021 and thereafter the CEWS program would be replaced by two new programs. The Company does not expect to benefit from either of these two new programs. The Company has a receivable amount of \$0 as at December 31, 2021 (\$0 as at June 30, 2021). For the six-month period ended December 31, 2021 and for the three-month period ended December 31, 2021, income relating to CEWS of \$0 was recognized as a reduction of cost of contract revenue and \$0 as a reduction of general and administrative expenses (\$2,613 and \$245, respectively, for the six-month period ended December 31, 2020) (\$238 and \$21, respectively, for the three-month period ended December 31, 2020).

6. INVESTMENTS

	Six-month period ended December 31, 2021	Year ended June 30, 2021
	\$	\$
Investments in public companies, beginning of the year	259	317
Acquisition of investments	-	54
Conversion of trade receivables	-	196
Proceeds from disposal of investments	-	(310)
Change in fair value of investments measured at fair value through profit or loss	12	2
Investments in public companies, end of the period	271	259

7. PROPERTY, PLANT AND EQUIPMENT

	December 31 2021 (3 months)	December 31 2020 (3 months)	December 31 2021 (6 months)	December 31 2020 (6 months)
			\$	\$
Acquisition of property, plant and equipment	1,962	1,174	5,579	1,797
Proceeds from disposal of property, plant and equipment	(640)	(611)	(812)	(763)
Gain on disposal of property, plant and equipment	(310)	(253)	(442)	(232)

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

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six-month periods ended December 31, 2021 and 2020

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

(Unaudited)

8. LONG-TERM DEBT

	December 31 2021	June 30 2021
	\$	\$
Loan of US\$1,000 (June 30, 2021: US\$1,000) authorized for a maximum amount of \$6,339 (US\$5,000), bearing interest at base rate plus 0.25%, effective rate as at December 31, 2021 of 4.00% (June 30, 2021: interest at base rate plus 0.75%, effective rate of 4.50%), maturing in November 2024, secured by a first rank hypothec on the universality of all present and future assets (c)	1,268	1,239
Loan authorized for a maximum amount of \$35,000, bearing interest at prime rate plus 2.00%, effective rate as at December 31, 2021 of 4.45% (June 30, 2021: interest at prime rate plus 2.00%, effective rate of 4.45%), maturing in November 2024, secured by a first rank hypothec on the universality of all present and future assets ^{(a) (b) (c)}	22,712	22,794
Loan, bearing interest at prime rate plus 4.50%	-	260
Loan of US\$2,900 (June 30, 2021: US\$3,480), bearing interest at prime rate plus 2.75%, effective rate as at December 31, 2021 of 6.00% (June 30, 2021: bearing interest at prime rate plus 2.75%, effective rate of 6.00%), payable in monthly instalments of \$123 (US\$97) (June 30, 2021 : \$120 (US\$97)) as from May 2019, maturing in July 2024, secured by a third rank hypothec on the universality of all present and future assets (d) (e)	3,677	4,313
Loans of CLP\$604,778 (June 30, 2021: CPL\$804,941), bearing interest at rates of 3.50%, payable in monthly instalments of \$53 (CLP\$35,501) (June 30, 2021: \$60 (CPL\$35,501)) from December 2020, maturing in June 2023. (f)	901	1,368
Loan of CLF 48 (June 30, 2021: CLF 50), bearing interest at rates of 3.30%, payable in monthly instalments of \$22 (CLF 0.43) from March 2021, maturing in February 2028, secured by land and bulding. (g) (h)	2,166	2,451
	30,724	32,425
Current portion	(2,202)	(2,524)
	28,522	29,901

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six-month periods ended December 31, 2021 and 2020

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

(Unaudited)

8. LONG-TERM DEBT (continued)

- (a) The Loans bear interest at either (a) the bank's prime rate plus an applicable margin based on a financial covenant or (b) the banker's acceptance rate plus an applicable margin based on a financial covenant. In addition, the Corporation incurs commitment fees, varying between 0.35% to 0.84%. The rate is variable based on the quarterly calculation of a financial ratio and can vary from (a) prime rate plus 0.50% to 2.75% or (b) 1.50% to 3.75%.
- (b) An unamortized amount of \$270 (\$230 as at June 30, 2021), 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 November 22 2021, the Company signed an amendment to 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, 2024.
- (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 (\$1,490) 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 (\$2,369).
- (h) An unamortized amount of \$40 (\$50 as at June 30, 2021), 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 10). As at December 31, 2021, the Company was compliant with its financial covenants (June 30, 2021: the Company was compliant with its financial covenants).

As at December 31, 2021, the prime rate in Canada was 2.45% for Canadian loans (2.45% as at June 30, 2021) and the prime rate in United States was 3.25% and the base rate in the United States was 3.75% for US loans (3.25% and 3.75% respectively as at June 30, 2021).

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

	\$
Within one year	2,202
Later than one year and no later than five years	27,514
Later than five years	1,318
	<u>31,034</u>

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six-month periods ended December 31, 2021 and 2020

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

(Unaudited)

8. LONG-TERM DEBT (continued)

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

As at December 31, 2021 \$000s	Total	Within one year	Later than one but no later than five years	Later than five years
	\$	\$	\$	\$
CAN	22,222	-	22,222	-
US (US\$4,500)	5,705	1,423	4,282	-
Chilian UF (CLF 48)	2,206	166	722	1,318
Pesos chiliens (CLP\$604,778)	901	613	288	-
	31,034	2,202	27,514	1,318

9. LEASE LIABILITIES

The summary of of the activity related to the lease liabilities for the three-month and six-month periods ended December 31, 2021 and 2020 is as follows:

	December 31 2021 (3 months)	December 31 2020 (3 months)	December 31 2021 (6 months)	December 31 2020 (6 months)
	\$	\$	\$	\$
Lease liabilities recognized, beginning of period	2,431	4,429	1,996	4,603
Additions	110	233	722	233
Disposals	(29)	-	(29)	(45)
Finance cost	38	52	72	113
Payment of lease liabilities, including related finance costs	(181)	(251)	(390)	(500)
Reassessment of the lease term	-	147	-	147
Foreign exchange differences	(9)	157	(11)	216
	2,360	4,767	2,360	4,767
Current portion	733	3,183	733	3,183
Balance, end of period	1,627	1,584	1,627	1,584

Lease payments required in the next years are as follows:

	December 31 2021
	\$
Within one year	856
Later than one year and no later than five years	1,405
Later than five years	511
	2,772
Less: discounting impact	(412)
Present value of lease payments	2,360

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six-month periods ended December 31, 2021 and 2020

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

(Unaudited)

10. CAPITAL MANAGEMENT

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

The Company's capital structure is as follows:

	December 31 2021	June 30 2021
	\$	\$
Long-term debt	30,724	32,425
Lease liabilities	2,360	1,996
Factoring liability	1,453	2,880
Share capital	59,204	59,204
Equity-settled reserve	1,583	1,452
Retained earnings	9,272	12,342
Accumulated other comprehensive loss	(3,694)	(2,650)
Cash and equivalents	(1,094)	(3,256)
	99,808	104,393

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

Under the terms of certain of the Company's debt agreements, the Company must satisfy certain financial covenants, such as Senior debt to earnings before income taxes, interest, depreciation and amortization ratio, Senior debt to capitalization ratio and fixed charge coverage ratio. Such agreements also limit, among other things, the Company's ability to incur additional indebtedness, create liens, engage in mergers or acquisitions and make dividend and other payments. As at December 31, 2021, as mentioned in Note 8, the Company complied with its covenants (June 30, 2021: the Company was compliant with its financial covenants).

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

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

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six-month periods ended December 31, 2021 and 2020

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

(Unaudited)

11. 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.

	Six-month period ended December 31, 2021		Year ended June 30, 2021	
	Number of shares	\$	Number of shares	\$
Common shares				
Balance, beginning of the period	37,372,756	59,204	37,021,756	58,857
Shares issued:				
For share options exercised	-	-	351,000	347
Balance, end of the period	37,372,756	59,204	37,372,756	59,204

Net (loss) earnings per share

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

	December 31 2021 (3 months)	December 31 2020 (3 months)	December 31 2021 (6 months)	December 31 2020 (6 months)
Net (loss) earnings per share - basic				
Net (loss) earnings attributable to common shareholders	\$ (1,733)	\$ 367	\$ (3,070)	\$ 3,837
Weighted average basic number of common shares outstanding	37,372,756	37,021,756	37,372,756	37,021,756
Net (loss) earnings per share - basic	\$ (0.05)	\$ 0.01	\$ (0.08)	\$ 0.10

	December 31 2021 (3 months)	December 31 2020 (3 months)	December 31 2021 (6 months)	December 31 2020 (6 months)
Net (loss) earnings per share - diluted				
Net (loss) earnings attributable to common shareholders	\$ (1,733)	\$ 367	\$ (3,070)	\$ 3,837
Weighted average basic number of common shares outstanding	37,372,756	37,021,756	37,372,756	37,021,756
Adjustment to average number of common share - share options	-	457,435	-	917,385
Weighted average diluted number of common shares outstanding	\$37,372,756	\$37,479,191	\$37,372,756	\$37,939,141
Net (loss) earnings per share - diluted	\$ (0.05)	\$ 0.01	\$ (0.08)	\$ 0.10

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six-month periods ended December 31, 2021 and 2020

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

(Unaudited)

11. SHARE CAPITAL (continued)

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

	December 31, 2021 (6 months)		December 30, 2020 (6 months)	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding at the beginning of the period	3,342,500	1.24	3,155,000	1.28
Granted during the period	-	-	810,000	0.81
Cancelled during the period	-	-	(568,566)	1.05
Outstanding at end of the period	3,342,500	1.24	3,396,434	1.20
Exercisable at end of the period	2,169,500	1.42	1,759,168	1.45

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

Range of exercise price \$	Outstanding at December 31, 2021	Weighted average remaining life (years)	Weighted average exercise price \$	Exercisable at December 31, 2021	Weighted average exercise price \$
0.50 - 1.49	2,079,500	3.37	0.86	906,500	0.81
1.50 - 2.49	1,263,000	1.59	1.86	1,263,000	1.86
	3,342,500			2,169,500	

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

	December 31 2021 (3 months)	December 31 2020 (3 months)	December 31 2021 (6 months)	December 31 2020 (6 months)
Expense related to share-based compensation	\$ 59	\$ 60	\$ 131	\$ 120

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six-month periods ended December 31, 2021 and 2020

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

(Unaudited)

12. INCOME TAXES

	December 31 2021 (3 months)	December 31 2020 (3 months)	December 31 2021 (6 months)	December 31 2020 (6 months)
Earnings (loss) before income taxes	\$ (1,361)	\$ 899	\$ (1,903)	\$ 5,900
Statutory rates	26.50%	26.50%	26.50%	26.50%
Income taxes based on statutory rates	(361)	238	(505)	1,564
Increase (decrease) of income taxes due to the following:				
Non-deductible expenses	26	87	47	100
Non-deductible share-based compensation expense	16	16	35	32
Difference of income tax rates between territories	56	(5)	79	(6)
Withholdings taxes	78	73	131	115
Income tax assets unrecognized	773	130	1,622	278
Non-taxable portion of capital gain	2	3	(42)	6
Prior years adjustments	(206)	(73)	(189)	(73)
Other	(12)	63	(11)	47
Total income tax expense	372	532	1,167	2,063

13. ADDITIONAL INFORMATION RELATING TO THE STATEMENTS OF CASH FLOWS

Changes in non-cash operating working capital items:

	December 31 2021 (3 months)	December 31 2020 (3 months)	December 31 2021 (6 months)	December 31 2020 (6 months)
Trade and other receivables	\$ 8,128	\$ 2,088	\$ 7,184	\$ (3,070)
Inventories	(518)	(955)	(4,324)	304
Prepaid expenses	2	(97)	101	(14)
Trade and other payables	(5,278)	1,246	272	(113)
	2,334	2,282	3,233	(2,893)

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six-month periods ended December 31, 2021 and 2020

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

(Unaudited)

14. 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.

15. COMMITMENTS AND GUARANTEES

Commitments

The Company has entered into short-term and low asset value lease agreements expiring between 2022 and 2024 which call for total lease payments of \$110 for the rental of offices. None of the lease agreements contain renewal or purchase options or escalation clauses or any restrictions. The lease payments under these lease agreements for the next three years amount to \$38 for 2022, \$67 for 2023 and \$5 for 2024.

Guarantees

For the six-month period ended December 31, 2021, the Company issued some bank guarantees in favor of customers for a total amount of \$2,022 (for the six-month period ended December 31, 2020: \$1,860), maturing between March 2022 and December 2022. For the six-month periods ended December 31, 2021 and 2020, the Company has not made any payments in connection with these guarantees.

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six-month periods ended December 31, 2021 and 2020

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

(Unaudited)

16. RELATED AND ASSOCIATE PARTY TRANSACTIONS

Transactions with related parties

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

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

	December 31 2021 (3 months)	December 31 2020 (3 months)	December 31 2021 (6 months)	December 31 2020 (6 months)
Revenues	\$ 2	\$ 6	\$ 2	\$ 12
Expenses	33	38	71	75

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

In addition, for the six-month period ended December 31, 2021, repayments of a lease liability totalling \$42 were made to Dynamitage Castonguay Ltd. (December 31, 2020: \$21).

Transactions with associate parties

The Company entered into the following transactions with its associate parties in Note 1:

	December 31 2021 (3 months)	December 31 2020 (3 months)	December 31 2021 (6 months)	December 31 2020 (6 months)
Revenues	\$ 5,633	\$ 3,768	\$ 12,633	\$ 10,732

As at December 31, 2021, trade and other receivables included an amount receivable of \$2,798 from one of the Company's associates (June 30, 2021: \$3,065).

As at December 31, 2021, the investment in an associate totaled \$0 in the interim condensed consolidated statements of financial position (June 30, 2021: \$0).

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.

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six-month periods ended December 31, 2021 and 2020

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

(Unaudited)

17. KEY MANAGEMENT COMPENSATION

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

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

	December 31 2021 (3 months)	December 31 2020 (3 months)	December 31 2021 (6 months)	December 31 2020 (6 months)
	\$	\$	\$	\$
Salaries and fees	260	283	506	534
Share-based compensation	-	114	-	114
	260	397	506	648

18. FINANCIAL INSTRUMENTS

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

Credit risk

The Company provides credit to its customers in the normal course of its operations. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. It carries out, on a continuing basis, credit checks on its customers and maintains provisions for contingent credit losses. Demand for the Company's drilling services depends upon the level of mineral exploration and development activities conducted by mining companies, particularly with respect to gold, nickel and copper.

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

Fair value

The fair value of cash and cash equivalents, trade and other receivables and trade and other payables is approximately equal to their carrying values due to their short-term maturity.

The fair value of long-term debt approximates its carrying value as it bears interest at a variable rate and has financing conditions similar to those currently available to the Company.

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six-month periods ended December 31, 2021 and 2020

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

(Unaudited)

18. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

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

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

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

As at December 31, 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 December 31, 2021	Carrying value	Fair value	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$
Financial assets measured at amortized cost					
Cash and cash equivalents	1,094	1,094			
Trade and other receivables	33,540	33,540			
Financial assets measured at fair value					
Investments	271	271	271		
Financial liabilities measured at amortized cost					
Trade and other payables	30,758	30,758			
Factoring Liability	1,453	1,453			
Long-term debt	30,724	30,724			
As at June 30, 2021	Carrying value	Fair value	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$
Financial assets measured at amortized cost					
Cash and cash equivalents	3,256	3,256			
Trade and other receivables	40,724	40,724			
Financial assets measured at fair value					
Investments	259	259	259		
Financial liabilities measured at amortized cost					
Trade and other payables	30,486	30,486			
Factoring Liability	2,880	2,880			
Long-term debt	32,425	32,425			

There were no transfers of amounts between Level 1, Level 2 and Level 3 financial instruments for the three and six month period ended December 31, 2021.

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six-month periods ended December 31, 2021 and 2020

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

(Unaudited)

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:

	December 31 2021 (3 months)	December 31 2020 (3 months)	December 31 2021 (6 months)	December 31 2020 (6 months)
Contract revenue	\$	\$	\$	\$
Canada	32,731	29,423	70,632	60,815
International ⁽¹⁾	13,151	6,641	25,820	10,876
	45,882	36,064	96,452	71,691
Earnings (loss) from operations				
Canada	2,340	3,521	5,648	11,433
International	(2,202)	(805)	(4,435)	(2,379)
	138	2,716	1,213	9,054
General and corporate expenses ⁽²⁾	915	1,114	2,086	1,854
Finance costs	584	703	1,030	1,300
Income tax expense	372	532	1,167	2,063
	1,871	2,349	4,283	5,217
Net (loss) earnings	(1,733)	367	(3,070)	3,837
⁽¹⁾ The International operating segment included				
West African revenue:	4,049	2,948	9,180	5,241
Chilean revenue :	7,584	1,942	14,206	2,942

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

	December 31 2021 (3 months)	December 31 2020 (3 months)	December 31 2021 (6 months)	December 31 2020 (6 months)
Depreciation and amortization	\$	\$	\$	\$
Canada	1,603	1,426	3,190	2,893
International	935	892	1,802	1,816
Total depreciation and amortization included in earnings (loss) from operations	2,538	2,318	4,992	4,709
Unallocated and corporate assets	254	429	603	862
Total depreciation and amortization	2,792	2,747	5,595	5,571

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six-month periods ended December 31, 2021 and 2020

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

(Unaudited)

19. SEGMENTED INFORMATION (continued)

	As at December 31, 2021	As at June 30, 2021		
	\$	\$		
Identifiable assets				
Canada	81,040	85,370		
Chile	17,797	20,815		
West Africa	28,556	26,729		
International - Other	4,358	5,228		
	<u>131,751</u>	<u>138,142</u>		
Property, plant and equipment				
Canada	24,794	25,893		
Chile	5,932	7,044		
West Africa	9,318	5,400		
International - Other	677	921		
	<u>40,721</u>	<u>39,258</u>		
Right-of-use assets				
Canada	1,473	1,002		
Chile	112	73		
West Africa	874	930		
International - Other	82	101		
	<u>2,541</u>	<u>2,106</u>		
Intangible assets				
West Africa	-	141		
	<u>-</u>	<u>141</u>		
	December 31	December 31	December 31	December 31
	2021	2020	2021	2020
	(3 months)	(3 months)	(6 months)	(6 months)
	\$	\$	\$	\$
Non-current assets acquisitions				
Canada	916	1,054	2,777	1,619
International	1,161	117	3,473	147
Unallocated and corporate assets	-	3	56	31
	<u>2,077</u>	<u>1,174</u>	<u>6,306</u>	<u>1,797</u>