



**Unaudited Interim Condensed Consolidated
Financial Statements**

Third Quarter Fiscal 2022

(For the three and nine-month periods ended March 31, 2022 and 2021)

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 nine month periods ended March 31, 2022 and 2021

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

(Unaudited)

| | Notes | March 31 2022 (3 months) \$ | March 31 2021 (3 months) \$ | March 31 2022 (9 months) \$ | March 31 2021 (9 months) \$ |
|--------------------------------------|-------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Contract revenue | 20 | 45,191 | 40,504 | 141,644 | 112,195 |
| Cost of contract revenue | 5, 6 | 44,862 | 37,334 | 134,814 | 94,902 |
| Gross profit | | 329 | 3,170 | 6,830 | 17,293 |
| Expenses (income) | | | | | |
| General and administrative expenses | | 3,819 | 3,662 | 10,762 | 10,560 |
| Foreign exchange (gain) loss | | (101) | 484 | 330 | 509 |
| Finance costs | | 492 | 490 | 1,522 | 1,790 |
| Provision for litigation | | - | (1,962) | - | (1,962) |
| | 5 | 4,210 | 2,674 | 12,614 | 10,897 |
| (Loss) earnings before income taxes | | (3,881) | 496 | (5,784) | 6,396 |
| Income tax expense (recovery) | 13 | | | | |
| Current | | 365 | 57 | 601 | 346 |
| Deferred | | (181) | (190) | 750 | 1,584 |
| | | 184 | (133) | 1,351 | 1,930 |
| Net (loss) earnings | | (4,065) | 629 | (7,135) | 4,466 |
| Net (loss) earnings per share | 12 | | | | |
| Basic | | (0.11) | 0.02 | (0.19) | 0.12 |
| Diluted | | (0.11) | 0.02 | (0.19) | 0.12 |

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

For the three and nine month periods ended March 31, 2022 and 2021

(in thousands of Canadian dollars)

(Unaudited)

| | March 31 2022 (3 months) | March 31 2021 (3 months) | March 31 2022 (9 months) | March 31 2021 (9 months) |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | \$ | \$ | \$ | \$ |
| Net (loss) earnings | (4,065) | 629 | (7,135) | 4,466 |
| Other comprehensive (loss) earnings | | | | |
| Cumulative translation adjustments | (603) | (568) | (1,647) | (229) |
| Other comprehensive (loss) earnings, net of income tax | (603) | (568) | (1,647) | (229) |
| Comprehensive (loss) earnings | (4,668) | 61 | (8,782) | 4,237 |

ORBIT GARANT DRILLING INC.

Interim Condensed Consolidated Statements of Changes in Equity

For the nine month periods ended March 31, 2022 and 2021

(in thousands of Canadian dollars)

(Unaudited)

| Nine-month period ended March 31, 2021 | | | | | Total |
|---|---------------------|------------------------|-------------------|--------------------------------------|----------------------|
| | Share capital | Equity-settled reserve | Retained earnings | Accumulated other comprehensive loss | Shareholders' equity |
| | \$ | \$ | \$ | \$ | \$ |
| Balance as at July 1, 2021 | (Note 12) 59,204 | 1,452 | 12,342 | (2,650) | 70,348 |
| Total comprehensive (loss) earnings | | | | | |
| Net loss | - | - | (7,135) | - | (7,135) |
| Other comprehensive loss | | | | | |
| Cumulative translation adjustments | - | - | - | (1,647) | (1,647) |
| Other comprehensive loss | - | - | - | (1,647) | (1,647) |
| Transactions with shareholders, recorded directly in equity | | | | | |
| Share-based compensation (Note 12) | - | 171 | - | - | 171 |
| Share options cancelled | - | (34) | 34 | - | - |
| Total transactions with shareholders | - | 137 | 34 | - | 171 |
| Balance as at March 31, 2022 | 59,204 | 1,589 | 5,241 | (4,297) | 61,737 |

| Nine-month period ended March 31, 2021 | | | | | Total |
|---|---------------------|------------------------|-------------------|--------------------------------------|----------------------|
| | Share capital | Equity-settled reserve | Retained earnings | Accumulated other comprehensive loss | Shareholders' equity |
| | \$ | \$ | \$ | \$ | \$ |
| Balance as at July 1, 2020 | (Note 12) 58,857 | 1,309 | 10,047 | (2,208) | 68,005 |
| Total comprehensive earnings (loss) | | | | | |
| 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 |
| Balance as at March 31, 2021 | 58,857 | 1,348 | 14,646 | (2,437) | 72,414 |

ORBIT GARANT DRILLING INC.

Interim Condensed Consolidated Statements of Financial Position

As at March 31, 2022 and June 30, 2021

(in thousands of Canadian dollars)

(Unaudited)

| | Notes | March 31 2022 \$ | June 30 2021 \$ |
|--------------------------------------|-------|------------------------|-----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 1,393 | 3,256 |
| Trade and other receivables | | 34,836 | 40,724 |
| Inventories | | 50,696 | 44,684 |
| Income taxes receivable | | 775 | 1,112 |
| Prepaid expenses | | 788 | 796 |
| | | 88,488 | 90,572 |
| Non-current assets | | | |
| Investments | 7 | 200 | 259 |
| Deposit on equipment purchase | | - | 1,909 |
| Property, plant and equipment | 8 | 40,900 | 39,258 |
| Right-of-use assets | | 2,422 | 2,106 |
| Intangible assets | | - | 141 |
| Deferred tax assets | | 3,043 | 3,897 |
| Total assets | | 135,053 | 138,142 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | | 37,215 | 30,486 |
| Income taxes payable | | 174 | 7 |
| Factoring liability | | 1,182 | 2,880 |
| Current portion of long-term debt | 9 | 2,258 | 2,524 |
| Current portion of lease liabilities | 10 | 734 | 635 |
| | | 41,563 | 36,532 |
| Non-current liabilities | | | |
| Long-term debt | 9 | 30,277 | 29,901 |
| Lease liabilities | 10 | 1,476 | 1,361 |
| | | 73,316 | 67,794 |
| EQUITY | | | |
| Share capital | 12 | 59,204 | 59,204 |
| Equity-settled reserve | | 1,589 | 1,452 |
| Retained earnings | | 5,241 | 12,342 |
| Accumulated other comprehensive loss | | (4,297) | (2,650) |
| Equity attributable to shareholders | | 61,737 | 70,348 |
| Total liabilities and equity | | 135,053 | 138,142 |

Contingencies and commitments (notes 15 and 16)

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 nine month periods ended March 31, 2022 and 2021

(in thousands of Canadian dollars)

(Unaudited)

| | Notes | March 31 2022 (3 months) \$ | March 31 2021 (3 months) \$ | March 31 2022 (9 months) \$ | March 31 2021 (9 months) \$ |
|--|-------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| OPERATING ACTIVITIES | | | | | |
| (Loss) earnings before income taxes | | (3,881) | 496 | (5,784) | 6,396 |
| Items not affecting cash | | | | | |
| Depreciation of property, plant and equipment | | 2,805 | 2,310 | 8,000 | 7,342 |
| Depreciation of right-of-use assets | | 129 | 144 | 388 | 459 |
| Amortization of intangible assets | | - | 110 | 141 | 334 |
| Gain on disposal of property, plant and equipment | 8 | (423) | (62) | (865) | (294) |
| Share-based compensation | 12 | 40 | 52 | 171 | 172 |
| Finance costs | | 492 | 490 | 1,522 | 1,790 |
| Restricted cash | | - | 390 | - | (1,539) |
| Net change in fair value of investments | 7 | 43 | 39 | 31 | (19) |
| Provision for litigation | | - | (1,962) | - | (1,962) |
| | | (795) | 2,007 | 3,604 | 12,679 |
| Changes in non-cash operating working capital items | 14 | 3,380 | (1,473) | 6,613 | (4,366) |
| Income taxes paid | | 46 | (131) | (97) | (275) |
| Finance costs paid | | (414) | (614) | (1,483) | (1,835) |
| | | 2,217 | (211) | 8,637 | 6,203 |
| INVESTING ACTIVITIES | | | | | |
| Proceeds from disposal of investments | 7 | 28 | - | 28 | 238 |
| Deposit on equipment purchase | | - | (513) | - | (513) |
| Acquisition of property, plant and equipment | 8 | (2,443) | (712) | (8,022) | (2,509) |
| Proceeds from disposal of property, plant and equipment | 8 | 311 | 61 | 1,123 | 824 |
| | | (2,104) | (1,164) | (6,871) | (1,960) |
| FINANCING ACTIVITIES | | | | | |
| Proceeds from factoring | | 1,792 | 915 | 9,112 | 915 |
| Repayment on factoring | | (2,153) | - | (10,678) | - |
| Proceeds from long-term debt | | 21,489 | 23,495 | 71,593 | 60,341 |
| Repayment of long-term debt | | (19,978) | (18,499) | (71,518) | (62,799) |
| Repayment of lease liabilities | | (168) | (2,670) | (486) | (3,057) |
| | | 982 | 3,241 | (1,977) | (4,600) |
| Effect of exchange rate changes on cash and cash equivalents | | (796) | (322) | (1,652) | (904) |
| Increase (decrease) in cash and cash equivalents | | 299 | 1,544 | (1,863) | (1,261) |
| Cash and cash equivalents, beginning of the period | | 1,094 | 2,191 | 3,256 | 4,996 |
| Cash and cash equivalents, end of the period | | 1,393 | 3,735 | 1,393 | 3,735 |

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, 2022 and 2021

(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 nine-month periods ended March 31, 2022.

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 May 11, 2022.

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and nine month periods ended March 31, 2022 and 2021

(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 through March 2022 as some projects were put on hold or postponed and some efficiencies were not as optimized.

4. Seasonality of operations

The third quarter is normally the Company's weakest quarter due to the gradual ramp-up of operations after the shutdown of mining and exploration activities over the holiday season and the more difficult weather conditions in Canada.

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and nine month periods ended March 31, 2022 and 2021

(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 2022 (3 months) | March 31 2021 (3 months) | March 31 2022 (9 months) | March 31 2021 (9 months) |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | \$ | \$ | \$ | \$ |
| Cost of contract revenue | 2,707 | 2,152 | 7,699 | 6,862 |
| General and administrative expenses | 227 | 412 | 830 | 1,273 |
| Total depreciation and amortization | 2,934 | 2,564 | 8,529 | 8,135 |

Principal expenses by nature

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

| | March 31 2022 (3 months) | March 31 2021 (3 months) | March 31 2022 (9 months) | March 31 2021 (9 months) |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | \$ | \$ | \$ | \$ |
| Depreciation and amortization | 2,934 | 2,564 | 8,529 | 8,135 |
| Employee benefits expense | 24,266 | 21,211 | 72,638 | 53,763 |
| Cost of inventories | 10,843 | 8,456 | 31,871 | 23,553 |
| Other expenses | 11,029 | 7,777 | 34,390 | 20,348 |
| Total cost of contract revenue, general and administrative expenses, foreign exchange (gain) loss, finance costs and litigation | 49,072 | 40,008 | 147,428 | 105,799 |
| Cost of contract revenue | 44,862 | 37,334 | 134,814 | 94,902 |
| General and administrative expenses, foreign exchange (gain) loss, finance costs and litigation | 4,210 | 2,674 | 12,614 | 10,897 |
| Total cost of contract revenue, general and administrative expenses, foreign exchange (gain) loss, finance costs and litigation | 49,072 | 40,008 | 147,428 | 105,799 |

6. GOVERNMENT ASSISTANCE

The Company was eligible to Canada Emergency Wage Subsidy "(CEWS)" during fiscal 2021, but not in 2022. For the nine month periods ended March 31, 2022, a total 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 (\$2,849 and \$265, respectively, for the nine-month period ended March 31, 2021) (\$235 and \$20, respectively, for the three-month period ended March 31, 2021).

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and nine month periods ended March 31, 2022 and 2021

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

(Unaudited)

7. INVESTMENTS

| | Nine-month period ended March 31, 2022 | 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 | (28) | (310) |
| Change in fair value of investments measured at fair value through profit or loss | (31) | 2 |
| Investments in public companies, end of the period | 200 | 259 |

8. PROPERTY, PLANT AND EQUIPMENT

| | March 31 2022 (3 months) | March 31 2021 (3 months) | March 31 2022 (9 months) | March 31 2021 (9 months) |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | \$ | \$ | \$ | \$ |
| Acquisition of property, plant and equipment | 2,443 | 712 | 8,022 | 2,509 |
| Transfer from right-of-use assets | - | 2,353 | - | 2,353 |
| Proceeds from disposal of property, plant and equipment | (311) | (61) | (1,123) | (824) |
| Gain on disposal of property, plant and equipment | (423) | (62) | (865) | (294) |

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 nine month periods ended March 31, 2022 and 2021

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

(Unaudited)

9. LONG-TERM DEBT

| | March 31 2022 | June 30 2021 |
|--|------------------|-----------------|
| | \$ | \$ |
| Loan of US\$1,000 (June 30, 2021: US\$1,000) authorized for a maximum amount of \$6,248 (US\$5,000), bearing interest at base rate plus 0.25%, effective rate as at March 31, 2022 of 4.25% (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) | 1,249 | 1,239 |
| Loan authorized for a maximum amount of \$35,000, bearing interest at prime rate plus 2.75%, effective rate as at March 31, 2022 of 5.45% (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)} | 24,907 | 22,794 |
| Loan, bearing interest at prime rate plus 4.50% | - | 260 |
| Loan of US\$2,610 (June 30, 2021: US\$3,480), bearing interest at prime rate plus 2.75%, effective rate as at March 31, 2022 of 6.25% (June 30, 2021: bearing interest at prime rate plus 2.75%, effective rate of 6.00%), payable in monthly instalments of \$121 (US\$97) (June 30, 2021 : \$120 (US\$97)), maturing in July 2024, secured by a third rank hypothec on the universality of all present and future assets | 3,262 | 4,313 |
| Loans of CLP\$503,202 (June 30, 2021: CPL\$804,941), bearing interest at rates of 3.50%, payable in monthly instalments of \$56 (CLP\$35,501) (June 30, 2021: \$60 (CPL\$35,501)), maturing in June 2023. | 798 | 1,368 |
| Loan of CLF 47 (June 30, 2021: CLF 50), bearing interest at rates of 3.30%, payable in monthly instalments of \$22 (CLF 0.43), maturing in February 2028, secured by land and building. ^(d) | 2,319 | 2,451 |
| | <u>32,535</u> | <u>32,425</u> |
| Current portion | <u>(2,258)</u> | <u>(2,524)</u> |
| | <u>30,277</u> | <u>29,901</u> |

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and nine month periods ended March 31, 2022 and 2021

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

(Unaudited)

9. 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 \$193 (\$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) An unamortized amount of \$41 (\$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 11). As at March 31, 2022, the Company complied with all covenants in the Credit Facility and in the EDC Loan Agreement except that the Company was not compliant with the total debt to EBITDA and interest coverage financial covenants. The Company obtained from National Bank a waiver from the Company's obligation to comply with these financial covenants for the period commencing on January 1, 2022 and ending May 15, 2022. On May 10, 2022, the Company and National Bank entered into an amendment to the Credit Facility (see Note 21). The Company expects that availability under the Credit Facility will continue to provide it with sufficient liquidity to fund its working capital and capital asset acquisition requirements. (June 30, 2021: the Company was compliant with its financial covenants).

As at March 31, 2022, the prime rate in Canada was 2.70% for Canadian loans (2.45% as at June 30, 2021) and the prime rate in United States was 3.50% and the base rate in the United States was 4.00% for US loans (3.25% and 3.75% respectively as at June 30, 2021).

As at March 31, 2022, principal payments required in the next years are as follows:

| | | | | | |
|--|--|--|--|--|---------------|
| | | | | | \$ |
| Within one year | | | | | 2,258 |
| Later than one year and no later than five years | | | | | 29,127 |
| More than five years | | | | | 1,384 |
| | | | | | <u>32,769</u> |

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

| As at March 31, 2022 | Total | Within one year | Later than one and no later than five years | Later than five years |
|------------------------------|---------------|-----------------|---|-----------------------|
| \$000s | \$ | \$ | \$ | \$ |
| CAN | 25,100 | - | 25,100 | - |
| US (US\$3,610) | 4,511 | 1,417 | 3,094 | - |
| Chilean UF (CLF 47) | 2,360 | 183 | 793 | 1,384 |
| Chilean pesos (CLP\$503,202) | 798 | 658 | 140 | - |
| | <u>32,769</u> | <u>2,258</u> | <u>29,127</u> | <u>1,384</u> |

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and nine month periods ended March 31, 2022 and 2021

(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, 2022 and 2021 is as follows:

| | March 31 2022 (3 months) | March 31 2021 (3 months) | March 31 2022 (9 months) | March 31 2021 (9 months) |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | \$ | \$ | \$ | \$ |
| Lease liabilities recognized, beginning of period | 2,360 | 4,767 | 1,996 | 4,603 |
| Additions | - | - | 722 | 233 |
| Disposals | - | (17) | (29) | (62) |
| Finance cost | 34 | 39 | 104 | 152 |
| Payment of lease liabilities, including related finance costs | (202) | (2,709) | (590) | (3,209) |
| Variable lease payment adjustment | 3 | - | 5 | - |
| Reassessment of the lease term | - | - | - | 147 |
| Foreign exchange differences | 15 | (79) | 2 | 137 |
| | 2,210 | 2,001 | 2,210 | 2,001 |
| Current portion | 734 | 529 | 734 | 529 |
| Balance, end of period | 1,476 | 1,472 | 1,476 | 1,472 |

Lease payments required in the next years are as follows:

| | March 31 2022 |
|--|------------------|
| | \$ |
| Within one year | 848 |
| Later than one year and no later than five years | 1,273 |
| Later than five years | 467 |
| | 2,588 |
| Less: discounting impact | (378) |
| Present value of lease payments | 2,210 |

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three and nine month periods ended March 31, 2022 and 2021

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

(Unaudited)

11. CAPITAL MANAGEMENT

The Company includes long-term debt, lease liabilities, 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:

| | March 31 2022 | June 30 2021 |
|--------------------------------------|------------------|-----------------|
| | \$ | \$ |
| Long-term debt | 32,535 | 32,425 |
| Lease liabilities | 2,210 | 1,996 |
| Factoring liability | 1,182 | 2,880 |
| Share capital | 59,204 | 59,204 |
| Equity-settled reserve | 1,589 | 1,452 |
| Retained earnings | 5,241 | 12,342 |
| Accumulated other comprehensive loss | (4,297) | (2,650) |
| Cash and equivalents | (1,393) | (3,256) |
| | 96,271 | 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 March 31, 2022, as mentioned in Note 9, the Company complied with all covenants in the Credit Facility and in the EDC Loan Agreement except that the Company was not compliant with the total debt to EBITDA and interest coverage financial 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.

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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, 2022 | | Year ended June 30, 2021 | |
|----------------------------------|---|--------|-----------------------------|--------|
| Common shares | Number of shares | \$ | Number of shares | \$ |
| Balance, beginning of the period | 37,372,756 | 59,204 | 37,021,756 | 58,857 |
| Shares issued: | | | | |
| For stock 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, stock options are not included in the computation of diluted net loss per share as their inclusion would be anti-dilutive.

| | March 31 2022 (3 months) | March 31 2021 (3 months) | March 31 2022 (9 months) | March 31 2021 (9 months) |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Net (loss) earnings per share - basic | | | | |
| Net (loss) earnings attributable to common shareholders | \$ (4,065) | \$ 629 | \$ (7,135) | \$ 4,466 |
| 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 | \$ (0.11) | \$ 0.02 | \$ (0.19) | \$ 0.12 |

| | March 31 2022 (3 months) | March 31 2021 (3 months) | March 31 2022 (9 months) | March 31 2021 (9 months) |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Net (loss) earnings per share - diluted | | | | |
| Net (loss) earnings attributable to common shareholders | \$ (4,065) | \$ 629 | \$ (7,135) | \$ 4,466 |
| 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 - stock options | - | 181,684 | - | 149,092 |
| Weighted average diluted number of common shares outstanding | 37,372,756 | 37,203,440 | 37,372,756 | 37,170,848 |
| Net (loss) earnings per share - diluted | \$ (0.11) | \$ 0.02 | \$ (0.19) | \$ 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, 2022 (9 months) | | March 31, 2021 (9 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 | (99,000) | 1.11 | (646,500) | 1.06 |
| Outstanding at end of the period | 3,243,500 | 1.24 | 3,318,500 | 1.20 |
| Exercisable at end of the period | 2,106,500 | 1.43 | 1,790,834 | 1.41 |

The following table summarizes information on share options outstanding as at March 31, 2022:

| Range of exercise price \$ | Outstanding at March 31, 2022 | Weighted average remaining life (years) | Weighted average exercise price \$ | Exercisable at March 31, 2022 | Weighted average exercise price \$ |
|----------------------------------|----------------------------------|---|--|----------------------------------|--|
| 0.50 - 1.49 | 2,007,500 | 3.13 | 0.86 | 870,500 | 0.80 |
| 1.50 - 2.49 | 1,236,000 | 1.34 | 1.87 | 1,236,000 | 1.87 |
| | 3,243,500 | | | 2,106,500 | |

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:

| | March 31 2022 (3 months) | March 31 2021 (3 months) | March 31 2022 (9 months) | March 31 2021 (9 months) |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Expense related to share-based compensation | \$ 39 | \$ 52 | \$ 171 | \$ 172 |

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13. INCOME TAXES

| | March 31 2022 (3 months) | March 31 2021 (3 months) | March 31 2022 (9 months) | March 31 2021 (9 months) |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | \$ | \$ | \$ | \$ |
| (Loss) earnings before income taxes | (3,881) | 496 | (5,784) | 6,396 |
| Statutory rates | 26.50% | 26.50% | 26.50% | 26.50% |
| Income taxes based on statutory rates | (1,028) | 131 | (1,533) | 1,695 |
| Increase (decrease) of income taxes due to the following: | | | | |
| Non-deductible expenses | 26 | 15 | 73 | 115 |
| Non-deductible share-based compensation expense | 10 | 14 | 45 | 46 |
| Difference of income tax rates between territories | 32 | (31) | 111 | (37) |
| Withholdings taxes | 26 | 36 | 157 | 151 |
| Income tax assets unrecognized | 962 | (280) | 2,584 | (2) |
| Non-taxable portion of capital gain | 8 | 9 | (34) | 15 |
| Prior years adjustments | 134 | (28) | (55) | (101) |
| Other | 14 | 1 | 3 | 48 |
| Total income tax expense (recovery) | 184 | (133) | 1,351 | 1,930 |

14. ADDITIONAL INFORMATION RELATING TO THE STATEMENTS OF CASH FLOWS

Changes in non-cash operating working capital items:

| | March 31 2022 (3 months) | March 31 2021 (3 months) | March 31 2022 (9 months) | March 31 2021 (9 months) |
|-----------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | \$ | \$ | \$ | \$ |
| Trade and other receivables | (1,296) | (9,503) | 5,888 | (12,573) |
| Inventories | (1,688) | (159) | (6,012) | 145 |
| Prepaid expenses | (93) | 26 | 8 | 12 |
| Trade and other payables | 6,457 | 8,163 | 6,729 | 8,050 |
| | 3,380 | (1,473) | 6,613 | (4,366) |

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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.

16. 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 \$207 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 \$35 for 2022, \$133 for 2023 and \$39 for 2024.

Guarantees

For the nine-month period ended March 31, 2022, the Company issued some bank guarantees in favor of customers for a total amount of \$2,353 (for the nine-month period ended March 30, 2021: \$1,688), maturing between April 2022 and December 2022. For the nine-month periods ended March 31, 2022 and 2021, the Company has not made any payments in connection with these guarantees.

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17. RELATED AND ASSOCIATE PARTY TRANSACTIONS

Transactions with related parties

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

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

| | March 31 2022 (3 months) | March 31 2021 (3 months) | March 31 2022 (9 months) | March 31 2021 (9 months) |
|----------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Revenues | \$ 7 | \$ - | \$ 9 | \$ 12 |
| Expenses | 52 | 43 | 123 | 118 |

As at March 31, 2022, an amount of \$0 was receivable resulting from these transactions (June 30, 2021: \$0).

In addition, for the nine-month period ended March 31, 2022, repayments of a lease liability totalling \$63 were made to Dynamitage Castonguay Ltd. (March 31, 2021: \$42).

Transactions with associate parties

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

| | March 31 2022 (3 months) | March 31 2021 (3 months) | March 31 2022 (9 months) | March 31 2021 (9 months) |
|----------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Revenues | \$ 4,306 | \$ 2,663 | \$ 16,939 | \$ 13,396 |

As at March 31, 2022, trade and other receivables included an amount receivable of \$3,185 from one of the Company's associates (June 30, 2021: \$3,065).

As at March 31, 2022, 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.

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18. 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 2022 (3 months) | March 31 2021 (3 months) | March 31 2022 (9 months) | March 31 2021 (9 months) |
|--------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | \$ | \$ | \$ | \$ |
| Salaries and fees | 245 | 272 | 751 | 806 |
| Share-based compensation | - | - | - | 114 |
| | 245 | 272 | 751 | 920 |

19. 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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19. 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 March 31, 2022, 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, 2022 | Carrying value | Fair value | Level 1 | Level 2 | Level 3 |
|---|----------------|------------|---------|---------|---------|
| | \$ | \$ | \$ | \$ | \$ |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 1,393 | 1,393 | | | |
| Trade and other receivables | 34,836 | 34,836 | | | |
| Financial assets measured at fair value | | | | | |
| Investments | 200 | 200 | 200 | | |
| Financial liabilities measured at amortized cost | | | | | |
| Trade and other payables | 37,215 | 37,215 | | | |
| Factoring Liability | 1,182 | 1,182 | | | |
| Long-term debt | 32,535 | 32,535 | | | |

| 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 nine month period ended March 31, 2022.

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20. 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 2022 (3 months) | March 31 2021 (3 months) | March 31 2022 (9 months) | March 31 2021 (9 months) |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Contract revenue | \$ | \$ | \$ | \$ |
| Canada | 32,516 | 31,071 | 103,149 | 91,886 |
| International ⁽¹⁾ | 12,675 | 9,433 | 38,495 | 20,309 |
| | 45,191 | 40,504 | 141,644 | 112,195 |
| (Loss) earnings from operations | | | | |
| Canada | 523 | 1,942 | 6,172 | 13,376 |
| International | (3,417) | (1,522) | (7,852) | (3,901) |
| | (2,894) | 420 | (1,680) | 9,475 |
| General and corporate expenses (recovery) ⁽²⁾ | 495 | (566) | 2,582 | 1,289 |
| Finance costs | 492 | 490 | 1,522 | 1,790 |
| Income tax expense (recovery) | 184 | (133) | 1,351 | 1,930 |
| | 1,171 | (209) | 5,455 | 5,009 |
| Net (loss) earnings | (4,065) | 629 | (7,135) | 4,466 |

⁽¹⁾ The International operating segment included

| | | | | |
|-----------------------|-------|-------|--------|-------|
| West African revenue: | 4,971 | 3,648 | 14,151 | 8,889 |
| Chilean revenue : | 6,489 | 3,828 | 20,695 | 6,770 |

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

| | March 31 2022 (3 months) | March 31 2021 (3 months) | March 31 2022 (9 months) | March 31 2021 (9 months) |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Depreciation and amortization | \$ | \$ | \$ | \$ |
| Canada | 1,525 | 1,581 | 4,716 | 4,475 |
| International | 1,182 | 571 | 2,983 | 2,387 |
| Total depreciation and amortization included in (loss) earnings from operations | 2,707 | 2,152 | 7,699 | 6,862 |
| Unallocated and corporate assets | 227 | 412 | 830 | 1,273 |
| Total depreciation and amortization | 2,934 | 2,564 | 8,529 | 8,135 |

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(Unaudited)

20. SEGMENTED INFORMATION (continued)

| | As at March 31, 2022 | As at June 30, 2021 | | |
|----------------------------------|-------------------------|------------------------|--------------|--------------|
| | \$ | \$ | | |
| Identifiable assets | | | | |
| Canada | 85,073 | 85,370 | | |
| Chile | 18,585 | 20,815 | | |
| West Africa | 27,158 | 26,729 | | |
| International - Other | 4,237 | 5,228 | | |
| | <u>135,053</u> | <u>138,142</u> | | |
| Property, plant and equipment | | | | |
| Canada | 24,893 | 25,893 | | |
| Chile | 5,990 | 7,044 | | |
| West Africa | 9,364 | 5,400 | | |
| International - Other | 653 | 921 | | |
| | <u>40,900</u> | <u>39,258</u> | | |
| Right-of-use assets | | | | |
| Canada | 1,397 | 1,002 | | |
| Chile | 106 | 73 | | |
| West Africa | 847 | 930 | | |
| International - Other | 72 | 101 | | |
| | <u>2,422</u> | <u>2,106</u> | | |
| Intangible assets | | | | |
| West Africa | - | 141 | | |
| | | | | |
| | March 31 | March 31 | March 31 | March 31 |
| | 2022 | 2021 | 2022 | 2021 |
| | (3 months) | (3 months) | (9 months) | (9 months) |
| | \$ | \$ | \$ | \$ |
| Non-current assets acquisitions | | | | |
| Canada | 1,849 | 113 | 4,626 | 1,732 |
| International | 580 | 599 | 4,048 | 746 |
| Unallocated and corporate assets | 14 | - | 70 | 31 |
| | <u>2,443</u> | <u>712</u> | <u>8,744</u> | <u>2,509</u> |

21. SUBSEQUENT EVENTS

On May 10, 2022, the Company and National Bank entered into an amendment to the Credit Facility pursuant to which the Company expects to comply with all of the covenants applicable to Q4 2022 and future quarters. As at March 31, 2022, the Company complied with the new total debt to EBITDA and interest coverage financial covenants of this amendment to the Credit Facility.