



**CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended June 30, 2022 and 2021**



**KPMG LLP**  
600 de Maisonneuve Blvd. West  
Suite 1500, Tour KPMG  
Montréal (Québec) H3A 0A3  
Canada

Telephone (514) 840-2100  
Fax (514) 840-2187  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Orbit Garant Drilling Inc.

### **Opinion**

We have audited the consolidated financial statements of Orbit Garant Drilling Inc. (the "Entity"), which comprise:

- the consolidated statements of financial position as at June 30, 2022 and 2021;
- the consolidated statements of earnings (loss) and comprehensive earnings (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at June 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## ***Key Audit Matter***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended June 30, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matters to be communicated in our auditors' report.

### ***Assessment of the Accuracy of Mining Site Inventories***

#### ***Description of the matter***

We draw attention to Note 4 and Note 8 to the consolidated financial statements.

The Entity's inventories mainly include spare parts and consumables. As at June 30, 2022, the Entity holds inventories of \$49.01 million, a portion of which consists of mining site inventories. Inventories are valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.

#### ***Why the matter is a key audit matter***

We identified the assessment of the accuracy of mining site inventories as a key audit matter. This matter represented an area of higher assessed risk of material misstatement given the magnitude of the inventory balance and the extent of audit effort needed to address the matter. In addition, significant auditor judgment was required in evaluating the results of our audit procedures over the first-in, first-out cost basis of the mining site inventories.

#### ***How the matter was addressed in the audit***

The following are the primary procedures we performed to address this key audit matter:

We sorted mining site inventories by items and by location, to calculate movements during the year for items held in inventory at year-end. We performed substantive analytical procedures on the first-in, first-out cost basis for these items, using data including purchase costs and mining site inventory quantities at year-end. To evaluate the reliability of the data used in the substantive analytical procedures described above:

- We tested a sample of inventory purchases to invoices.
- For a selection of mining site locations, we observed the Entity's physical inventory counts at year-end and performed independent test counts for a sample of items which we compared to the Entity's records.



### ***Other Information***

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not, and will not, express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Page 5

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

The engagement partner on the audit resulting in this auditors' report is Alain Bessette.

*KPMG LLP\**

Montréal, Canada

September 20, 2022

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

For the years ended June 30, 2022 and 2021

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

	Notes	June 30 2022 \$	June 30 2021 \$
<b>Contract revenue</b>	24	195,473	163,294
Cost of contract revenue	6, 7	181,732	143,004
Gross profit		13,741	20,290
<b>Expenses (income)</b>			
General and administrative expenses	6	14,523	14,497
Foreign exchange loss		392	712
Finance costs		2,235	2,290
Litigation		-	(1,962)
	7	17,150	15,537
(Loss) earnings before income taxes		(3,409)	4,753
<b>Income tax expense</b>	17		
Current		598	461
Deferred		2,640	1,998
		3,238	2,459
<b>Net (loss) earnings</b>		(6,647)	2,294
<b>Net (loss) earnings per share</b>	16		
Basic		(0.18)	0.06
Diluted		(0.18)	0.06

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

For the years ended June 30, 2022 and 2021

(in thousands of Canadian dollars)

---

	June 30	June 30
	2022	2021
	\$	\$
<b>Net (loss) earnings</b>	(6,647)	2,294
<b>Other comprehensive loss</b>		
Cumulative translation adjustments	(1,402)	(442)
Other comprehensive loss, net of income tax	(1,402)	(442)
<b>Comprehensive (loss) earnings</b>	(8,049)	1,852

---



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

For the years ended June 30, 2022 and 2021

(in thousands of Canadian dollars)

Year ended June 30, 2022					Total
	Share capital	Equity-settled reserve	Retained earnings	Accumulated other comprehensive loss	Shareholders' equity
	\$	\$	\$	\$	\$
<b>Balance as at July 1, 2021</b>	(Note 16) 59,204	1,452	12,342	(2,650)	70,348
<b>Total comprehensive loss</b>					
Net loss	-	-	(6,647)	-	(6,647)
Other comprehensive loss					
Cumulative translation adjustments	-	-	-	(1,402)	(1,402)
Other comprehensive loss	-	-	-	(1,402)	(1,402)
Transactions with shareholders, recorded directly in equity					
Share-based compensation (Note 16)	-	206	-	-	206
Stock options cancelled	-	(34)	34	-	-
Total transactions with shareholders	-	172	34	-	206
<b>Balance as at June 30, 2022</b>	59,204	1,624	5,729	(4,052)	62,505
Year ended June 30, 2021					Total
	Share capital	Equity-settled reserve	Retained earnings	Accumulated other comprehensive loss	Shareholders' equity
	\$	\$	\$	\$	\$
<b>Balance as at July 1, 2020</b>	(Note 16) 58,857	1,309	10,047	(2,208)	68,005
<b>Total comprehensive earnings (loss)</b>					
Net earnings	-	-	2,294	-	2,294
Other comprehensive loss					
Cumulative translation adjustments	-	-	-	(442)	(442)
Other comprehensive loss	-	-	-	(442)	(442)
Transactions with shareholders, recorded directly in equity					
Share-based compensation (Note 16)	-	232	-	-	232
Stock options issued	-	330	(330)	-	-
Stock options exercised	347	(88)	-	-	259
Stock options cancelled	-	(331)	331	-	-
Total transactions with shareholders	347	143	1	-	491
<b>Balance as at June 30, 2021</b>	59,204	1,452	12,342	(2,650)	70,348

# ORBIT GARANT DRILLING INC.

## Consolidated Statements of Financial Position

As at June 30, 2022 and June 30, 2021

(in thousands of Canadian dollars)

		(Recast - Note 2)	
	Notes	June 30 2022	June 30 2021
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,018	3,256
Trade and other receivables		39,401	40,724
Inventories	8	49,006	44,684
Income taxes receivable		664	1,112
Prepaid expenses		1,077	796
		91,166	90,572
<b>Non-current assets</b>			
Investments	9	146	259
Deposit on equipment purchase		-	1,909
Property, plant and equipment	10	41,403	38,838
Right-of-use assets	11	2,388	2,106
Intangible assets	12	320	561
Deferred tax assets	17	1,636	3,897
<b>Total assets</b>		<b>137,059</b>	<b>138,142</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		33,578	30,486
Income taxes payable		12	7
Factoring liability	23	1,317	2,880
Current portion of long-term debt	13	2,222	2,524
Current portion of lease liabilities	14	675	635
		37,804	36,532
<b>Non-current liabilities</b>			
Deferred tax liabilities	17	657	-
Long-term debt	13	34,702	29,901
Lease liabilities	14	1,391	1,361
		74,554	67,794
<b>EQUITY</b>			
Share capital	16	59,204	59,204
Equity-settled reserve		1,624	1,452
Retained earnings		5,729	12,342
Accumulated other comprehensive loss		(4,052)	(2,650)
Equity attributable to shareholders		62,505	70,348
<b>Total liabilities and equity</b>		<b>137,059</b>	<b>138,142</b>

Contingencies and commitments (notes 19 and 20)

### APPROVED BY THE BOARD

(signed) Éric Alexandre

Éric Alexandre, Director

(signed) Nicole Veilleux

Nicole Veilleux, Director

See accompanying notes to consolidated financial statements.

**ORBIT GARANT DRILLING INC.**  
**Consolidated Statements of Cash Flows**

For the years ended June 30, 2022 and 2021

(in thousands of Canadian dollars)

		(Recast - Note 2)	
	Notes	June 30 2022	June 30 2021
		\$	\$
<b>OPERATING ACTIVITIES</b>			
(Loss) earnings before income taxes		(3,409)	4,753
Items not affecting cash			
Depreciation of property, plant and equipment	10	10,307	9,298
Depreciation of right-of-use assets	11	515	591
Amortization of intangible assets	12	321	646
Gain on disposal of property, plant and equipment	10	(908)	(346)
Gain on disposal of right-of-use assets	11	(7)	-
Share-based compensation	16	206	232
Finance costs		2,235	2,290
Net change in fair value of investments	9	85	(2)
Litigation		-	(1,962)
		9,345	15,500
Changes in non-cash operating working capital items	18	(1,087)	(3,362)
Income taxes paid		(187)	(93)
Finance costs paid		(2,215)	(2,250)
		5,856	9,795
<b>INVESTING ACTIVITIES</b>			
Acquisition of investments	9	-	(54)
Proceeds from disposal of investments	9	28	310
Deposit on equipment purchase		-	(1,909)
Acquisition of property, plant and equipment	10, 18	(11,899)	(5,889)
Proceeds from disposal of property, plant and equipment		1,192	908
Acquisition of intangible assets	12	(99)	(64)
		(10,778)	(6,698)
<b>FINANCING ACTIVITIES</b>			
Proceeds from stock options exercised		-	259
Proceeds from factoring		11,613	4,896
Repayment on factoring		(12,829)	(1,984)
Proceeds from long-term debt		102,094	79,495
Repayment of long-term debt		(97,425)	(85,777)
Repayment of lease liabilities		(742)	(677)
		2,711	(3,788)
Effect of exchange rate changes on cash and cash equivalent		(27)	(1,049)
<b>Decrease in cash and cash equivalent</b>		<b>(2,238)</b>	<b>(1,740)</b>
<b>Cash and cash equivalents, beginning of period</b>		<b>3,256</b>	<b>4,996</b>
<b>Cash and cash equivalents, end of period</b>		<b>1,018</b>	<b>3,256</b>

# ORBIT GARANT DRILLING INC.

## Notes to Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

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

### 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, the 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The IFRS accounting policies set out below were consistently applied to all periods presented.

The preparation of consolidated financial statements in conformity with IFRS 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.

These 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 are 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 consolidated financial statements were approved for issue by the Board of Directors of Orbit Garant Drilling Inc. on September 20, 2022.

#### Recast of June 30, 2021 Financial Position

The comparative figures have been adjusted in these consolidated financial statements to reclassify Property, plant and equipment of \$420 to Intangible assets as at June 30, 2021. The correction of this immaterial error had the following impact on the statements:

Caption	Statements and notes	As reported	As adjusted
Property, plant and equipment	Financial position, Notes 10 and 24	39,258	38,838
Intangible assets	Financial position, Notes 12 and 24	141	561
Depreciation of property, plant and equipment	Cash flows	9,503	9,298
Amortization of intangible assets	Cash flows	441	646
Acquisition of property, plant and equipment	Cash flows	(5,953)	(5,889)
Acquisition of intangible assets	Cash flows	-	(64)

# ORBIT GARANT DRILLING INC.

## Notes to Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

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

---

### 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 2020 and December 2021 through March 2022 as some projects were put on hold or postponed and some efficiencies were not as optimized. As at June 30, 2022, activity levels have returned to pre-pandemic levels in most regions the Company operates in.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Principles of consolidation

The 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 consolidated statements of (loss) earnings from the effective date of acquisition to the effective date of disposal, as appropriate. Intercompany transactions and balances are eliminated on consolidation.

#### Foreign currency translation

Transactions denominated in a currency other than the functional currency of the Company or of a foreign subsidiary whose functional currency is the Canadian dollar, are accounted for using the exchange rate prevailing on the transaction date. On each reporting date, monetary items denominated in a foreign currency are translated using the exchange rate prevailing on that date, and non-monetary items that are measured at historical cost are not adjusted. Exchange differences are recognized in net earnings in the period during which they occur.

The assets and liabilities of foreign subsidiaries whose functional currency is not the Canadian dollar are translated into Canadian dollars by applying the exchange rate prevailing at the reporting date. Revenue and expense items are translated at the average exchange rate for the period. Exchange differences are recognized in OCI under "Cumulative translation adjustments" and are accumulated in equity. The accumulated amount of exchange differences is reclassified in net earnings upon loss of control of a foreign operation. Additionally, foreign exchange gains and losses related to certain intercompany loans that are permanent in nature are included in OCI under "Cumulative translation adjustments" and are accumulated in equity.

#### Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument.

# ORBIT GARANT DRILLING INC.

## Notes to Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

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

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

Asset/Liability	Classification
Cash and equivalents	Amortized cost
Trade and other receivables	Amortized cost
Investments	Fair value through profit or loss
Trade and other payables	Amortized cost
Factoring liability	Amortized cost
Long-term debt	Amortized cost

#### *Financial assets measured at amortized cost*

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if

- (a) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- (b) The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and/or interest.

#### *Financial assets measured at fair value*

These assets are measured at fair value and changes therein, including any interest or dividend income, are recognized in net income. However, for investments in equity instruments that are not held for trading, the Company may elect at initial recognition to present gains and losses in other comprehensive income. For such investments measured at fair value through other comprehensive income, gains and losses are never reclassified to net income, and no impairment is recognized in net income.

#### *Financial liabilities measured at amortized cost*

A financial liability is subsequently measured at amortized cost, using the effective interest method.

#### *Financial liabilities measured at fair value*

Financial liabilities measured at fair value are initially recognized at fair value and are remeasured at each reporting date with any changes therein recognized in net income. The Company has no financial liabilities measured at fair value.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position when and only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### *Amortized cost and effective interest method*

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

#### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, bank overdraft and short-term deposits with original maturities of three months or less.

# ORBIT GARANT DRILLING INC.

## Notes to Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

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

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Trade and other receivables

Trade and other receivables consist of amounts due from normal business activities. An allowance for expected credit losses is maintained to reflect an impairment risk for trade and other receivables based on an expected credit loss model which factors in changes in credit quality since the initial recognition of trade accounts receivable based on customer risk categories. Bad debts are also provided for based on collection history and specific risks identified on a customer-by-customer basis.

#### Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for services rendered by employees or for the termination of employment. Wages, paid leaves, bonuses and non-monetary benefits are short-term employee benefits, and they are recorded in the annual reporting period in which the employees of the Company render the related services.

#### Inventories

The Company maintains an inventory of operating supplies, motors, drill rods and drill bits on mining sites and warehouses. These inventories are valued at the lower of cost and net realizable value. Net realizable value is determined using the estimated selling price less estimated costs to complete the sale. Cost is determined on the first-in, first-out basis. Used and revised inventories are adjusted to reflect consumption and the level of refurbishment. The amount of any write-down of inventories can be reversed when the circumstances that led to the write-down no longer exist.

#### Investments

Investments in publicly traded securities are classified as fair value through profit or loss. Fair value through profit or loss investments are recorded at fair value, with changes in fair value recognized in profit or loss.

#### Investment in an associate

An associate is an entity over which the Company has significant influence. The Company has significant influence when it has the power to participate in the financial and operating policy decisions of the investee, but does not have control or joint control. The Company accounts for its investment in an associate using the equity method. Under the equity method, the investment is initially recognized at cost. Subsequent to initial recognition, distributions received from an associate reduce the carrying amount of the investment. The consolidated statements of comprehensive(loss) earnings include the Company's share of any amounts recognized by its associate in profit or loss and in other comprehensive loss, if any. Intercompany balances between the Company and its associate are not eliminated.

#### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost represents the acquisition costs, net of government grants and investment tax credits, or manufacturing costs, including preparation, installation and testing costs. The manufacturing costs for drilling equipment include the material, direct labour and indirect specific costs.

Borrowing costs are also included in the cost of self-constructed property, plant and equipment. Future expenditures, such as maintenance and repairs, are expensed as incurred.

Significant improvements are capitalized and amortized over the useful life of the asset.

Property, plant and equipment are recorded at cost and depreciation is calculated using the straight-line method based on their estimated useful life using the following periods:

	<u>Useful life</u>	<u>Residual value</u>
Buildings and components	5 to 40 years	-
Drilling equipment	5 to 10 years	0 - 20%
Vehicles	5 years	-
Other	3 to 10 years	-

# ORBIT GARANT DRILLING INC.

## Notes to Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

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

---

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Property, plant and equipment (continued)

The depreciation is calculated on the cost of an asset less its residual value and begins when the property, plant and equipment are ready for their intended use. Land is not depreciated.

Depreciation methods, residual values and the useful lives of significant property, plant and equipment are reviewed at each financial year-end. Any change is accounted for prospectively as a change in accounting estimate.

#### Intangible assets

Intangible assets are accounted for at cost. Amortization is based on their estimated useful life using the straight-line method and the following periods:

Software	3 to 5 years
Patents	10 years
Customer relationship	3 years

Amortization methods, residual values and the useful lives of significant intangible assets are reviewed at each financial year-end. Any change is accounted for prospectively as a change in accounting estimate.

#### Government assistance

Government grants are recognized when there is reasonable assurance that the Company has complied with the conditions attached to the grant. When the grant is related to an expensed item, it is recognized as a reduction of the related expense. When the grant is to property, plant and equipment, it is recognized against the net book value of the asset and recognized over the expected useful life as a reduction of asset depreciation.

#### Impairment of non-financial assets

For the purposes of assessing impairment, assets are grouped in cash-generating units ("CGU"), which represent the lowest levels for which there are separately identifiable cash inflows generated by those assets. The Company reviews, at the end of each reporting period, whether events or circumstances have occurred to indicate that the carrying amounts of its non-financial assets with finite useful lives may be less than their recoverable amounts.

Goodwill, other intangible assets having an indefinite useful life, and intangible assets not yet available for use are tested for impairment on June 30 of each financial year or whenever there is an indication that the carrying amount of the asset, of the CGU to which an asset has been allocated, exceeds its recoverable amount. The recoverable amount is the higher of the fair value, less costs of disposal, and the value in use of the asset or the CGU. Fair value, less costs of disposal, represents the amount an entity could obtain at the valuation date from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use represents the present value of the future cash flows expected to be derived from the asset or the CGU.

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and attributed to assets in the CGU, prorated to the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for non-financial assets with finite useful lives and intangible assets having an indefinite useful life, other than goodwill, can be reversed through the consolidated statements of (loss) earnings to the extent that the carrying amount at the date that the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

#### Income taxes

Current income taxes are recognized with respect to amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the reporting date.



# ORBIT GARANT DRILLING INC.

## Notes to Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

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

---

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Income taxes (continued)

Deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in earnings in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits. A deferred tax expense or benefit is recognized in other comprehensive loss or otherwise directly in equity to the extent that it relates to items that are recognized in other comprehensive loss or directly in equity in the same or a different period.

In the course of the Company's operations, there are a number of uncertain tax positions due to the complexity of certain transactions and due to the fact that related tax interpretations and legislation are continually changing. When a tax position is uncertain, the Company recognizes an income tax benefit or reduces an income tax liability only when it is probable that the tax benefit will be realized in the future or that the income tax liability is no longer probable.

#### Financing fees

Financing fees related to long-term debt are capitalized in reduction of long-term debt and amortized using the effective interest rate.

#### Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### *Right-of-use assets on leases*

Right-of-use assets are initially measured at cost, comprised of the initial measurement of the corresponding lease liabilities, lease payments made on or before the commencement date and any initial direct costs incurred, less any lease incentives received. They are subsequently depreciated on a straight-line basis on the lease term and reduced by impairment losses, if any. If it is reasonably certain that the Company will exercise the purchase options, the underlying asset is depreciated on the basis of its estimated useful life. Right-of-use assets may also be adjusted to reflect the re-measurement of related lease liabilities.

The lease term includes the renewal option only if it is reasonably certain to be exercised. The lease terms range from 2 to 11 years for land and buildings and from 1 to 4 years for vehicles.

The Company has elected not to recognize a right-of-use asset and liability for leases where the total lease term is less than or equal to twelve months and for leases of low value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

##### *Lease liabilities*

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index and the exercise price of a purchase option reasonably certain to be exercised. Subsequently, the lease liability is measured at amortized cost using the effective interest method and adjusted for interest and lease payments. In calculating the present value of lease payments, the Company uses the incremental borrowing rate as at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Subsequently, the carrying amount of the lease liability is remeasured if there has been a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to exercise a purchase option for the underlying asset.

#### Revenue recognition

Revenue from drilling contracts and ancillary services is recognized on the basis of actual metres drilled for each contract, which corresponds to the amount to which the entity has a right to invoice.

# ORBIT GARANT DRILLING INC.

## Notes to Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

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

---

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Earnings per share

Earnings per share are calculated using the weighted average number of shares outstanding during the year.

Diluted earnings per share are determined as net earnings (loss), divided by the weighted average number of diluted common shares outstanding for the period. Diluted common shares reflect the potential dilutive effect of exercising the share options based on the treasury share method.

##### Share options

The Company uses the fair value method under IFRS 2 to account for share options. In accordance with this method, compensation cost is measured at the fair value of the option at the grant date using the Black-Scholes option pricing model and is amortized to earnings over the vesting period. The fair value is recognized as an expense with a corresponding increase in equity-settled reserve. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest and is net of share options cancelled prior to being vested. When unexercised share options are forfeited or expired, the amounts are transferred to retained earnings.

#### 5. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of financial statements in accordance with IFRS requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and contingent liabilities on the reporting date, and amounts of revenues and expenses for the relevant period. Although management regularly reviews its estimates, actual results may differ. The impact of changes to accounting estimates is recognized in the period during which the change occurs, and in the affected future periods, when applicable. Areas in which the estimates and assumptions are significant or which are complex, are presented as follows:

##### A) CRITICAL ACCOUNTING ESTIMATES

##### Inventories

Part of the inventory was estimated based on the number of drills on minings sites. In estimating the cost of this inventory, management takes into account the estimated amount of inventory per drill, based on the most reliable evidence available at the time the estimate was made.

##### Impairment of non-financial assets

The Company also uses its judgment to determine whether an impairment test must be performed due to the presence of potential impairment indicators. In applying its judgment, the Company relies primarily on its knowledge of its business and the economic environment. Significant management estimates are required to determine the recoverable amount of the cash-generating unit ("CGU") including estimates of future cash flows. Differences in estimates could affect whether tangible and intangible assets are in fact impaired and the dollar amount of that impairment. Significant assumptions are used by management to determine the projected revenue, operating expenses, utilization, discount rates and market pricing. Notably, these estimates are made in the context of COVID-19, an unprecedented global pandemic, resulting in a higher degree of uncertainty. Consequently, the impact on the Consolidated Financial Statements of future periods could be material.

# ORBIT GARANT DRILLING INC.

## Notes to Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

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

---

### 5. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS (continued)

#### A) CRITICAL ACCOUNTING ESTIMATES (continued)

##### **Deferred income tax assets**

The assessment of the probability in which deferred tax assets can be utilized is based on the Company's latest approved budget forecast, which is adjusted for significant non-taxable income (and expenses) and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Company operates are also carefully taken into consideration. If a forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on specific facts and circumstances.

##### **Income taxes**

The Company is subject to income taxes in various jurisdictions. Judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due in the future. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

#### B) JUDGMENTS

##### **Functional currency**

In determining the functional currency of its foreign subsidiaries, the Company needs to evaluate different factors such as the currency that mainly influences sales prices and costs, the economic environment and the degree of autonomy of the subsidiary. Following the evaluation of the different factors, when the functional currency is not obvious, the Company uses its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

##### **Significant judgment in determining the lease term of contracts with renewal options**

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. After the commencement date, the Company reassesses the lease term for whether significant event of change in circumstances that is within its control and affects its ability to exercise (or not exercise) the option to renew has occurred.

# ORBIT GARANT DRILLING INC.

## Notes to Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

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

### 6. GOVERNMENT ASSISTANCE

The Company was eligible for Canada Emergency Wage Subsidy (“CEWS”) during fiscal 2021, but not in 2022. For the year ended June 30, 2022, 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 (\$2,901 and \$270, respectively, for the year ended June 30, 2021).

### 7. EXPENSES BY NATURE

#### Detail of the depreciation and amortization expenses

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

	June 30 2022	June 30 2021
	\$	\$
Cost of contract revenue	10,046	8,858
General and administrative expenses	1,097	1,677
<b>Total depreciation and amortization</b>	<b>11,143</b>	<b>10,535</b>

#### Principal expenses by nature

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

	June 30 2022	June 30 2021
	\$	\$
Depreciation and amortization	11,143	10,535
Employee benefits expense	99,610	78,466
Cost of inventories	44,438	36,807
Other expenses	43,691	32,733
<b>Total cost of contract revenue, general and administrative expenses, foreign exchange loss, finance costs and litigation</b>	<b>198,882</b>	<b>158,541</b>
Cost of contract revenue	181,732	143,004
General and administrative expenses, foreign exchange loss, finance costs and litigation	17,150	15,537
<b>Total cost of contract revenue, general and administrative expenses, foreign exchange loss, finance costs and litigation</b>	<b>198,882</b>	<b>158,541</b>

# ORBIT GARANT DRILLING INC.

## Notes to Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

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

### 8. INVENTORIES

	June 30 2022	June 30 2021
	\$	\$
Spare parts	18,007	14,408
Consumables	29,951	29,709
Other	1,048	567
	<u>49,006</u>	<u>44,684</u>

Spare parts mainly include motors and machine parts. Consumables mainly include limited life tools, rods, hammers, wire lines and casings.

The cost of inventories recognized as an expense and included in cost of contract revenue has been recorded as follows:

	June 30 2022	June 30 2021
	\$	\$
	<u>44,438</u>	<u>36,807</u>

During the year, an amount of \$0 (2021: \$150) has been accounted for as a write-down of inventories as a result of net realizable value being lower than cost. As at June 30, 2022 and 2021, no amount has been accounted as a reversal of a write-down of inventory.

The Company's credit facilities are in part secured by a general assignment of the Company's inventories.

### 9. INVESTMENTS

	June 30 2022	June 30 2021
	\$	\$
<b>Investments in public companies, beginning of the year</b>	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	(85)	2
<b>Investments in public companies, end of the year</b>	<u>146</u>	<u>259</u>

The Company holds common shares in publicly traded companies. These shares are classified as fair value through profit or loss and are reported at fair value, reflecting their quoted share price at the reporting date. The change in fair value of investments is included in general and administrative expenses. The cost is \$455 (\$465 as at June 30, 2021).

# ORBIT GARANT DRILLING INC.

## Notes to Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

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

### 10. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and components	Drilling equipment	Vehicles	Other	Total
Cost	\$	\$	\$	\$	\$	\$
Balance as at July 1, 2021	2,515	11,540	86,943	20,945	2,114	124,057
Additions	-	52	10,348	3,377	31	13,808
Disposals and write-offs	-	(10)	(3,586)	(2,062)	(2)	(5,660)
Effect of movements in exchange rates	(309)	(149)	(2,612)	(166)	(80)	(3,316)
Balance as at June 30, 2022	2,206	11,433	91,093	22,094	2,063	128,889

#### Accumulated Depreciation

Balance as at July 1, 2021	-	5,825	61,795	15,920	1,679	85,219
Depreciation	-	399	7,216	2,564	128	10,307
Disposals and write-offs	-	-	(3,320)	(2,053)	(2)	(5,375)
Effect of movements in exchange rates	-	(42)	(2,434)	(126)	(63)	(2,665)
Balance as at June 30, 2022	-	6,182	63,257	16,305	1,742	87,486

	Land	Buildings and components	Drilling equipment	Vehicles	Other	Total
Cost	\$	\$	\$	\$	\$	\$
Balance as at June 30, 2020	804	10,676	86,791	20,677	4,205	123,153
Transfer to intangible assets	-	-	-	-	(2,156)	(2,156)
Balance as at July 1, 2020	804	10,676	86,791	20,677	2,049	120,997
Additions	-	196	4,089	1,536	68	5,889
Transfer from right-of-use assets	1,779	684	-	307	-	2,770
Disposals and write-offs	-	-	(4,380)	(1,306)	(1)	(5,687)
Effect of movements in exchange rates	(68)	(16)	443	(269)	(2)	88
Balance as at June 30, 2021	2,515	11,540	86,943	20,945	2,114	124,057

#### Accumulated Depreciation

Balance as at June 30, 2020	-	5,130	59,422	14,371	3,151	82,074
Transfer to intangible assets	-	-	-	-	(1,597)	(1,597)
Balance as at July 1, 2020	-	5,130	59,422	14,371	1,554	80,477
Depreciation	-	624	6,020	2,527	127	9,298
Transfer from right-of-use assets	-	72	-	240	-	312
Disposals and write-offs	-	-	(4,019)	(1,106)	-	(5,125)
Effect of movements in exchange rates	-	(1)	372	(112)	(2)	257
Balance as at June 30, 2021	-	5,825	61,795	15,920	1,679	85,219

June 30, 2021:

Net book value	2,515	5,715	25,148	5,025	435	38,838
----------------	-------	-------	--------	-------	-----	--------

June 30, 2022:

Net book value	2,206	5,251	27,836	5,789	321	41,403
----------------	-------	-------	--------	-------	-----	--------

The gain on disposal of property, plant and equipment totalling \$908 for the year ended June 30, 2022 (a gain of \$346 for the year ended June 30, 2021) is included in cost of contract revenue.

Drilling equipment includes construction work in progress for an amount of \$816 (\$0 as at June 30, 2021).

**ORBIT GARANT DRILLING INC.**  
**Notes to Consolidated Financial Statements**

For the years ended June 30, 2022 and 2021

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

**11. RIGHT-OF-USE ASSETS**

	Land	Buildings and components	Vehicles	Total
<b>Cost</b>	\$	\$	\$	\$
Balance as at July 1, 2021	-	1,668	1,215	2,883
Additions	-	104	731	835
Disposals and write-offs	-	(101)	(285)	(386)
Variable lease payment adjustment	-	-	8	8
Effect of movements in exchange rates	-	-	(44)	(44)
<b>Balance as at June 30, 2022</b>	-	<b>1,671</b>	<b>1,625</b>	<b>3,296</b>

**Accumulated Depreciation**

Balance as at July 1, 2021	-	430	347	777
Depreciation	-	263	252	515
Disposals and write-offs	-	(101)	(252)	(353)
Effect of movements in exchange rates	-	-	(31)	(31)
<b>Balance as at June 30, 2022</b>	-	<b>592</b>	<b>316</b>	<b>908</b>

	Land	Buildings and components	Vehicles	Total
<b>Cost</b>	\$	\$	\$	\$
Balance as at July 1, 2020	1,672	2,280	1,228	5,180
Additions	-	234	310	544
Disposals and write-offs	-	(203)	(17)	(220)
Transferred to property, plant and equipment	(1,779)	(684)	(307)	(2,770)
Effect of movements in exchange rates	107	41	1	149
<b>Balance as at June 30, 2021</b>	-	<b>1,668</b>	<b>1,215</b>	<b>2,883</b>

**Accumulated Depreciation**

Balance as at July 1, 2020	-	384	310	694
Depreciation	-	322	269	591
Disposals and write-offs	-	(203)	-	(203)
Transferred to property, plant and equipment	-	(72)	(240)	(312)
Effect of movements in exchange rates	-	(1)	8	7
<b>Balance as at June 30, 2021</b>	-	<b>430</b>	<b>347</b>	<b>777</b>

June 30, 2021:

Net book value	-	1,238	868	2,106
----------------	---	-------	-----	-------

**June 30, 2022:**

<b>Net book value</b>	-	<b>1,079</b>	<b>1,309</b>	<b>2,388</b>
-----------------------	---	--------------	--------------	--------------

The gain on disposal of right-of-use-assets totalling \$7 for the year ended June 30, 2022 (\$0 for the year ended June 30, 2021) is included in cost of contract revenue.

**ORBIT GARANT DRILLING INC.**  
**Notes to Consolidated Financial Statements**

For the years ended June 30, 2022 and 2021

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

**12. INTANGIBLE ASSETS**

	Software	Patents	Customer relationship	Total
<b>Cost</b>	\$	\$	\$	\$
Balance as at July 1, 2021	2,203	19	1,311	3,533
Additions	70	29	-	99
Effect of movements in exchange rates	(19)	-	(146)	(165)
<b>Balance as at June 30, 2022</b>	<b>2,254</b>	<b>48</b>	<b>1,165</b>	<b>3,467</b>

**Accumulated Depreciation**

Balance as at July 1, 2021	1,799	3	1,170	2,972
Depreciation	186	5	130	321
Effect of movements in exchange rates	(11)	-	(135)	(146)
<b>Balance as at June 30, 2022</b>	<b>1,974</b>	<b>8</b>	<b>1,165</b>	<b>3,147</b>

	(Recast - Note 2) Software	(Recast - Note 2) Patents	Customer relationship	(Recast - Note 2) Total
<b>Cost</b>	\$	\$	\$	\$
Balance as at June 30, 2020	-	-	1,317	1,317
Transfer from property, plant and equipment	2,137	19	-	2,156
Balance as at July 1, 2020	2,137	19	1,317	3,473
Additions	64	-	-	64
Effect of movements in exchange rates	2	-	(6)	(4)
<b>Balance as at June 30, 2021</b>	<b>2,203</b>	<b>19</b>	<b>1,311</b>	<b>3,533</b>

**Accumulated Depreciation**

Balance as at June 30, 2020	-	-	729	729
Transfer from property, plant and equipment	1,596	1	-	1,597
Balance as at July 1, 2020	1,596	1	729	2,326
Depreciation	203	2	441	646
Effect of movements in exchange rates	-	-	-	-
<b>Balance as at June 30, 2021</b>	<b>1,799</b>	<b>3</b>	<b>1,170</b>	<b>2,972</b>

June 30, 2021:

Net book value	404	16	141	561
----------------	-----	----	-----	-----

**June 30, 2022:**

<b>Net book value</b>	<b>280</b>	<b>40</b>	<b>-</b>	<b>320</b>
-----------------------	------------	-----------	----------	------------



# ORBIT GARANT DRILLING INC.

## Notes to Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

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

### 13. LONG-TERM DEBT

	June 30 2022	June 30 2021
	\$	\$
Loan of US\$1,000 (June 30, 2021: US\$1,000) authorized for a maximum amount of \$6,443 (US\$5,000), bearing interest at base rate plus 0.25%, effective rate as at June 30, 2022 of 5.50% (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 <sup>(c)</sup>	1,289	1,239
Loan authorized for a maximum amount of \$35,000, bearing interest at prime rate plus 3.75%, effective rate as at June 30, 2022 of 7.45% (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 <sup>(a) (b) (c)</sup>	30,003	22,794
Loan, bearing interest at prime rate plus 4.50%	-	260
Loan of US\$2,320 (June 30, 2021: US\$3,480), bearing interest at prime rate plus 2.75%, effective rate as at June 30, 2022 of 7.50% (June 30, 2021: bearing interest at prime rate plus 2.75%, effective rate of 6.00%), payable in monthly instalments of \$125 (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	2,990	4,313
Loans of CLP\$400,925 (June 30, 2021: CLP\$804,941), bearing interest at rates of 3.50%, payable in monthly instalments of \$50 (CLP\$35,501) (June 30, 2021: \$60 (CPL\$35,501)), maturing in June 2023.	558	1,368
Loan of CLF 46 (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, <u>secured by land and building.</u> <sup>(d)</sup>	2,084	2,451
	36,924	32,425
Current portion	(2,222)	(2,524)
	34,702	29,901

(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 1.07%. The rate is variable based on the quarterly calculation of a financial ratio and can vary from (a) prime rate plus 0.50% to 3.75% or (b) 1.50% to 4.75%.

(b) An unamortized amount of \$254 (\$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 May 10, 2022, 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. On September 9, 2022, as a consequence of securing a new term loan with Business Development Bank of Canada, the amended and restated Credit Agreement has been modified (see Note 25).

(d) An unamortized amount of \$35 (\$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.

# ORBIT GARANT DRILLING INC.

## Notes to Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

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

### 13. LONG-TERM DEBT (continued)

Under the terms of the long-term debt agreements, the Company must satisfy certain restrictive covenants as to minimum financial ratios (Note 15). As at June 30, 2022, the Company was compliant with its financial covenants (June 30, 2021: the Company was compliant with its financial covenants).

As at June 30, 2022, the prime rate in Canada was 3.70% for Canadian loans (2.45% as at June 30, 2021) and the prime rate in United States was 4.75% and the base rate in the United States was 5.25% for US loans (3.25% and 3.75% respectively as at June 30, 2021).

As at June 30, 2022, principal payments required in the next years are as follows:

	\$
Within one year	2,222
Later than one year and no later than five years	33,774
More than five years	1,217
	<b>37,213</b>

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

As at June 30, 2022	Total	Within one year	Later than one but no later than five years	Later than five years
\$000s	\$	\$	\$	\$
CAN	30,000	-	30,000	-
US (US\$3,520)	4,536	1,495	3,041	-
Chilean UF (CLF 46)	2,119	169	733	1,217
Chilean pesos (CLP\$400,925)	558	558	-	-
	<b>37,213</b>	<b>2,222</b>	<b>33,774</b>	<b>1,217</b>

Reconciliation of movements of long-term debt to cash flows arising from financing activities:

	2022	2021
	\$	\$
<b>Balance, beginning of year</b>	32,425	36,738
Transfer from lease liabilities, including related finance costs	-	2,632
Net change in the revolving credit facility	7,186	(4,313)
Repayment of other long-term debts	(2,517)	(1,969)
Transaction costs related to loans	(226)	(203)
Amortization of transaction costs related to loans	206	190
Impact of the change in foreign exchange rates on the foreign currency debts	(150)	(650)
<b>Balance, end of year</b>	<b>36,924</b>	<b>32,425</b>

**ORBIT GARANT DRILLING INC.**  
**Notes to Consolidated Financial Statements**

For the years ended June 30, 2022 and 2021

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

**14. LEASE LIABILITIES**

The summary of the activity related to the lease liabilities for the years ended June 30, 2022 and 2021 is as follows:

	2022	2021
	\$	\$
<b>Lease liabilities recognized, beginning of year</b>	1,996	4,603
Additions	837	392
Disposals	(40)	(62)
Finance costs	139	415
Payment of lease liabilities, including related finance costs	(881)	(1,092)
Exercise of a purchase option financed by long-term debt	-	(2,534)
Variable lease payment adjustment	8	-
Reassessment of lease term	6	147
Foreign exchange differences	1	127
	2,066	1,996
Current portion	675	635
<b>Balance, end of year</b>	1,391	1,361

Lease payments required in the next years are as follows:

	June 30 2022
	\$
Within one year	784
Later than one year and no later than five years	1,213
Later than five years	424
	2,421
Less: discounting impact	(355)
<b>Present value of lease payments</b>	2,066

# ORBIT GARANT DRILLING INC.

## Notes to Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

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

### 15. 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:

	June 30 2022	June 30 2021
	\$	\$
Long-term debt	36,924	32,425
Lease liabilities	2,066	1,996
Factoring liability	1,317	2,880
Share capital	59,204	59,204
Equity-settled reserve	1,624	1,452
Retained earnings	5,729	12,342
Accumulated other comprehensive loss	(4,052)	(2,650)
Cash and equivalents	(1,018)	(3,256)
	101,794	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 June 30, 2022, as mentioned in Note 13, the Company complied with its 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.

# ORBIT GARANT DRILLING INC.

## Notes to Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

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

### 16. 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.

	June 30, 2022		June 30, 2021	
	Number of shares	\$	Number of shares	\$
Common shares				
Balance, beginning of the year	37,372,756	59,204	37,021,756	58,857
Shares issued:				
For stock options exercised	-	-	351,000	347
Balance, end of the year	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 earnings divided by the average number of common shares outstanding using the treasury stock method. For 2022, stock options are not included in the computation of diluted net loss per share as their inclusion would be anti-dilutive.

	June 30 2022		June 30 2021	
<b>Net (loss) earnings per share - basic</b>				
Net (loss) earnings attributable to common shareholders	\$	(6,647)	\$	2,294
Weighted average basic number of common shares outstanding		37,372,756		37,051,928
Net (loss) earnings per share - basic	\$	(0.18)	\$	0.06

	June 30 2022		June 30 2021	
<b>Net (loss) earnings per share - diluted</b>				
Net (loss) earnings attributable to common shareholders	\$	(6,647)	\$	2,294
Weighted average basic number of common shares outstanding		37,372,756		37,051,928
Adjustment to average number of common share - stock options		-		169,328
Weighted average diluted number of common shares outstanding		37,372,756		37,221,256
Net (loss) earnings per share - diluted	\$	(0.18)	\$	0.06

# ORBIT GARANT DRILLING INC.

## Notes to Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

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

### 16. SHARE CAPITAL (continued)

#### Stock option plan

On June 26, 2008, the Company established an equity-settled option plan (the Stock Option Plan), which is intended to aid in attracting, retaining and motivating the Company's officers, employees, directors and consultants. The option plan has been prepared in accordance with the TSX's policies on listed company security-based compensation arrangements. Persons eligible to be granted options under the option plan are: any director, officer or employee of Orbit Garant or of any subsidiary company controlled by any such person or a family trust of which at least one trustee is any such person and all of the beneficiaries of which are such person and his or her spouse or children.

The aggregate number of common shares which may be issued from treasury upon the exercise of options under the Stock Option Plan shall not exceed 10% of the issued and outstanding common shares. The number of common shares which may be reserved for issuance pursuant to options granted under the option plan, together with common shares reserved for issuance from treasury under any other employee-related plan of the Company, or options for services granted by the Company to any one person, shall not exceed 5% of the then aggregate issued and outstanding common shares.

The Board of Directors, through the recommendation of the Corporate Governance and Compensation Committee, manages the Stock Option Plan and determines, among other things, optionees, vesting periods, exercise price and other attributes of the options, in each case pursuant to the 2008 Share Option Plan, applicable securities legislation and the rules of the TSX. Options vest at a rate ranging from 20% to 33% per annum commencing 12 months after the date of grant and expire no later than 7 years after the grant date. Options are forfeited when the option holder ceases to be a director, officer or employee of the Company. The exercise price for any option may not be less than the fair market value (the closing price of the common shares on the TSX on the last trading day on which common shares traded prior to such day, or the average of the closing bid and ask prices over the last five trading days, if no trades accrued over that period) of the common shares at the time of the grant of the option.

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

	June 30, 2022		June 30, 2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Outstanding at the beginning of the year	3,342,500	1.24	3,155,000	1.28
Granted during the year	-	-	1,185,000	0.89
Exercised during the year <sup>(a)</sup>	-	-	(351,000)	0.74
Cancelled during the year	(99,000)	1.11	(646,500)	1.06
Outstanding at end of the year	3,243,500	1.24	3,342,500	1.24
Exercisable at end of the year	2,256,502	1.40	1,464,834	1.56

<sup>(a)</sup> For the year ended June 30, 2021, the weighted average market share price at the date of exercise was \$1.25.

# ORBIT GARANT DRILLING INC.

## Notes to Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

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

### 16. SHARE CAPITAL (continued)

The following table summarizes information on share options outstanding as at June 30, 2022:

Range of exercise price	Outstanding at June 30, 2022	Weighted average remaining life	Weighted average exercise price	Exercisable at June 30, 2022	Weighted average exercise price
\$		(years)	\$		\$
0.50 - 1.49	2,007,500	2.88	0.86	1,020,502	0.83
1.50 - 2.49	1,236,000	1.09	1.87	1,236,000	1.87
	3,243,500			2,256,502	

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

	Granted in 2021
Risk-free interest rate	0.32% to 0.75%
Expected life (years)	3
Expected volatility (based on historical volatility)	40.90% to 44.38%
Expected dividend yield	0%
Fair value of options granted	\$0.24 to \$0.39

During the years 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:

	June 30 2022	June 30 2021
	\$	\$
Expense related to share-based compensation	206	232

**ORBIT GARANT DRILLING INC.**  
**Notes to Consolidated Financial Statements**

For the years ended June 30, 2022 and 2021

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

**17. INCOME TAXES**

Income tax expense (recovery) comprises the following:

	June 30 2022	June 30 2021
<b>Current tax</b>	<b>\$</b>	<b>\$</b>
Current year	367	481
Prior years adjustments	231	(20)
	598	461
<b>Deferred tax</b>		
Current year	2,760	1,932
Prior years adjustments	(120)	66
	2,640	1,998
	3,238	2,459
	June 30 2022	June 30 2021
	<b>\$</b>	<b>\$</b>
(Loss) earnings before income taxes	(3,409)	4,753
Statutory rates	26.50%	26.50%
Income taxes based on statutory rates	(903)	1,260
Increase (decrease) of income taxes due to the following:		
Non-deductible expenses	92	139
Non-deductible share-based compensation expense	54	61
Difference of income tax rates between territories	137	(25)
Withholding taxes	251	180
Income tax assets unrecognized	3,547	848
Non-taxable portion of capital gain	(49)	29
Prior years adjustments	111	(46)
Other	(2)	13
<b>Total income tax expense</b>	<b>3,238</b>	<b>2,459</b>



# ORBIT GARANT DRILLING INC.

## Notes to Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

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

### 17. INCOME TAXES (continued)

Deferred income taxes are based on differences between the accounting and tax values of assets and liabilities and consist of the following at the dates presented:

	July 1 2021	Recognized in statements of earnings (loss)	Exchange rate change	June 30 2022
	\$	\$	\$	\$
<b>Deferred income tax assets:</b>				
Intangible assets	22	7	-	29
Loss carried forward	4,410	(3,771)	-	639
Non-deductible provisions	1,374	480	(335)	1,519
Investments	27	14	-	41
<b>Total deferred income tax assets</b>	<b>5,833</b>	<b>(3,270)</b>	<b>(335)</b>	<b>2,228</b>
<b>Deferred income tax liabilities:</b>				
Property, plant and equipment	1,936	(630)	(57)	1,249
<b>Total deferred income tax liabilities</b>	<b>1,936</b>	<b>(630)</b>	<b>(57)</b>	<b>1,249</b>
<b>Net deferred income tax assets</b>	<b>3,897</b>	<b>(2,640)</b>	<b>(278)</b>	<b>979</b>

	July 1 2020	Recognized in statements of earnings (loss)	Exchange rate change	June 30 2021
	\$	\$	\$	\$
<b>Deferred income tax assets:</b>				
Intangible assets	13	9	-	22
Loss carried forward	5,967	(1,560)	3	4,410
Non-deductible provisions	1,822	(445)	(3)	1,374
Investments	10	17	-	27
<b>Total deferred income tax assets</b>	<b>7,812</b>	<b>(1,979)</b>	<b>-</b>	<b>5,833</b>
<b>Deferred income tax liabilities:</b>				
Property, plant and equipment	1,922	19	(5)	1,936
<b>Total deferred income tax liabilities</b>	<b>1,922</b>	<b>19</b>	<b>(5)</b>	<b>1,936</b>
<b>Net deferred income tax assets</b>	<b>5,890</b>	<b>(1,998)</b>	<b>5</b>	<b>3,897</b>

As presented in the consolidated statements of financial position:

	June 30 2022	June 30 2021
	\$	\$
Deferred tax assets	1,636	3,897
Deferred tax liabilities	(657)	-
<b>Net deferred tax assets</b>	<b>979</b>	<b>3,897</b>

The Company recognized a deferred income tax asset on non-capital losses because it is probable that sufficient taxable profit will be available from future operations.

# ORBIT GARANT DRILLING INC.

## Notes to Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

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

### 17. INCOME TAXES (continued)

Tax losses, for which no deferred tax assets were recognized, expire as follows:

	Chile	Guinea	Burkina Faso
June 30, 2024	-	938	206
June 30, 2025	-	2,590	5,854
June 30, 2026	-	-	-
June 30, 2027	-	-	8,606
No expiry date	5,220	-	-

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

Changes in non-cash operating working capital items:

	June 30 2022	June 30 2021
	\$	\$
Trade and other receivables	(130)	(19,798)
Inventories	(6,074)	4,371
Prepaid expenses	(328)	31
Trade and other payables	5,445	12,034
	(1,087)	(3,362)

During the year, the deposit on equipment purchase was transferred to property, plant and equipment totalling \$1,909. This information is presented as a non-monetary transaction in consolidated statements of cash flows.

### 19. 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.

### 20. COMMITMENTS AND GUARANTEES

#### Commitments

The Company has entered into short-term and low asset value lease agreements expiring between 2023 and 2024 which call for total lease payments of \$171 for the rental of offices. None of the lease agreements contain renewal or purchase options or escalation clauses or any restrictions.

Lease payments recognized as an expense during the year amount to \$13,858 (year ended June 30, 2021: \$8,899). This amount consists of minimum lease payments. No sublease payments or contingent rent payments were made or received. No sublease income is expected as all assets held under lease agreements are used exclusively by the Company.

#### Guarantees

As at June 30, 2022, the Company issued some bank guarantees in favor of customers for a total amount of \$1,644 (year ended June 30, 2021: \$2,669), maturing between September 2022 and December 2022. For the years ended June 30, 2021 and 2022, the Company has not made any payments in connection with these guarantees.

# ORBIT GARANT DRILLING INC.

## Notes to Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

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

### 21. 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:

	June 30 2022	June 30 2021
Revenues	\$ 31	\$ 10
Expenses	172	162

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

In addition, for the twelve-month period ended June 30, 2022, repayments of a lease liability totalling \$84 were made to Dynamitage Castonguay Ltd. (June 30, 2021 : \$63).

#### Transactions with associate parties

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

	June 30 2022	June 30 2021
Revenues	\$ 26,256	\$ 20,252

As at June 30, 2022, trade and other receivables included an amount receivable of \$4,322 from one of the Company's associates (June 30, 2021: \$3,065).

As at June 30, 2022, investment in an associate totalling \$0 in financial statement (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.

### 22. KEY MANAGEMENT COMPENSATION

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

	June 30 2022	June 30 2021
Salaries and fees	\$ 1,054	\$ 1,187
Share-based compensation	84	42
	1,138	1,229

### 23. 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.

# ORBIT GARANT DRILLING INC.

## Notes to Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

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

### 23. FINANCIAL INSTRUMENTS (continued)

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.

#### Currency risk

The Company realizes a part of its activities in US dollars (US \$), in Chilean Pesos (CLP), in Argentine Pesos (ARS), in Ghanaian cedi (GHS cedi), in West African Francs (XOF) and in Guinean Francs (GNF). The Company's exposure to currency risk on its consolidated financial statements was as follows as at June 30, 2022:

	US \$	CLP	ARS	GHS cedi	XOF	GNF
	\$000s	\$000s	\$000s	000s	000s	000s
Cash and equivalents	111	42,374	-	7	332,228	1,321,553
Trade receivables	476	1,381,790	-	5,881	609,384	3,656,404
Income tax receivable (payable)	(2)	(6,854)	8	2,102	154,662	-
Accounts payable and accrued liabilities	(278)	(1,250,245)	-	(42)	(1,269,751)	(4,047,341)
Current portion of long-term debt and lease liabilities	(1,193)	(560,400)	-	-	-	-
Net balance exposure	(886)	(393,335)	8	7,948	(173,477)	930,616
Equivalent in Canadian dollars	(1,142)	(548)	-	1,272	(356)	136

The Company has estimated that a 10% increase or decrease in the foreign exchange rates would have caused a corresponding annual change in net earnings (loss) and comprehensive loss of:

	US \$	CLP	ARS	GHS cedi	XOF	GNF
Change in net income in Canadian dollars	(84)	(40)	-	94	(26)	10

The Company's exposure to currency risk on its consolidated financial statements was as follows as at June 30, 2021:

	US \$	CLP	ARS	GHS cedi	XOF	GNF
	\$000s	\$000s	\$000s	000s	000s	000s
Cash and equivalents	1,120	527,258	-	163	3,840	7,157,028
Trade receivables	1,231	1,904,362	-	5,636	1,552,524	7,678,761
Income tax receivable (payable)	39	98,333	8	2,970	118,220	-
Accounts payable and accrued liabilities	(193)	(4,087,692)	-	(47)	(4,983,675)	(3,251,573)
Current portion of long-term debt and lease liabilities	(1,190)	(553,148)	-	-	-	-
Net balance exposure	1,007	(2,110,887)	8	8,722	(3,309,091)	11,584,216
Equivalent in Canadian dollars	1,248	(3,586)	-	1,836	(7,426)	1,448

The Company has estimated that a 10% increase or decrease in the above foreign exchange rates would have caused a corresponding annual change in net earnings (loss) and comprehensive earnings (loss) of:

	US \$	CLP	ARS	GHS cedi	XOF	GNF
Change in net income in Canadian dollars	92	(264)	-	135	(546)	106

# ORBIT GARANT DRILLING INC.

## Notes to Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

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

### 23. FINANCIAL INSTRUMENTS (continued)

#### *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.

In order to reduce the credit risk, the Company is using insurance coverage from Export Development Canada ("EDC") on certain accounts receivable from its customers. The insurance program provides under certain terms and conditions an insurance coverage amount of up to 90% of certain accounts receivable. As at June 30, 2022, the amount of the insurance coverage from EDC represents 4% of the accounts receivable (6% as at June 30, 2021).

The carrying amounts for accounts receivable are net of allowances for doubtful accounts, which are estimated based on aging analysis of receivables, past experience, specific risks associated with the customer and other relevant information. The maximum exposure to credit risk is the carrying value of the financial assets.

The allowance for doubtful accounts is established based on the Company's best estimate on the recovery of balances for which collection may be uncertain. Uncertainty of collection may become apparent from various indicators, such as a deterioration of the credit situation of a given client or delay in collection when the aging of invoices exceeds the normal payment terms. Management regularly reviews accounts receivable and assesses the appropriateness of the allowance for doubtful accounts.

The aging of trade receivable balances and the allowance for doubtful accounts as at June 30, 2022 and June 30, 2021 were as follows:

	June 30 2022	June 30 2021
	\$	\$
Current	32,247	30,728
Past due 0-30 days	2,155	2,707
Past due more than 30 days	3,020	6,153
Total trade receivables	37,422	39,588
Less: allowance for doubtful accounts	281	407
	37,141	39,181

The change in the allowance for doubtful accounts is detailed below:

	June 30 2022	June 30 2021
	\$	\$
Balance at beginning of year	407	786
Change in allowance, other than write-offs and recoveries	7	210
Write-offs of accounts receivable	-	(450)
Recoveries	(121)	(139)
Foreign exchange translation differences	(12)	-
Balance at end of year	281	407

As at June 30, 2022, 73% (June 30, 2021: 75%) of the trade and other receivables are aged as current and 1% are impaired (June 30, 2021: 1%). Given that expected credit losses are minimal, the expected credit losses by trade accounts receivable aging have not been presented.

One major customer represents 12% of the trade accounts receivable as at June 30, 2022 (June 30, 2021, Two major customer represented 15% of these accounts).

# ORBIT GARANT DRILLING INC.

## Notes to Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

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

---

### 23. FINANCIAL INSTRUMENTS (continued)

#### *Credit risk (continued)*

One major customer represents 13% of the contract revenue for the year ended June 30, 2022 (year ended June 30, 2021, one major customer represented 12%).

Credit risk also arises from cash and cash equivalents with banks and financial institutions. This risk is limited because the counterparties are mainly Canadian banks with high credit ratings.

The Company does not enter into derivatives to manage credit risk.

#### *Interest rate risk*

The Company is subject to interest rate risk since a significant part of the long-term debt bears interest at variable rates.

As at June 30, 2022, the Company has estimated that a 100 basis point increase or decrease in interest rates would have caused a corresponding annual increase or decrease in net (loss) earnings and comprehensive (loss) earnings of \$254 (June 30, 2021, \$238).

#### *Equity market risk*

Equity market risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors the general trends in the markets and individual equity movements, and determines the appropriate course of actions to be taken by the Company.

#### *Fair value*

The fair value of cash and equivalents, trade and other receivables, trade and other payables and factoring liability 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 most of 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 Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

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

### 23. 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 data.

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 June 30, 2022, the investments are measured at fair value and are classified as a Level 1 financial instrument as their fair value is determined using quoted prices in the active markets.

As at June 30, 2022	Carrying value	Fair value	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	1,018	1,018			
Trade and other receivables	39,401	39,401			
<b>Financial assets measured at fair value</b>					
Investments	146	146	146	-	-
<b>Financial liabilities measured at amortized cost</b>					
Trade and other payables	33,578	33,578			
Factoring Liability	1,317	1,317			
Long-term debt	36,924	36,924			
<hr/>					
As at June 30, 2021	Carrying value	Fair value	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	3,256	3,256			
Trade and other receivables	40,724	40,724			
<b>Financial assets measured at fair value</b>					
Investments	259	259	259	-	-
<b>Financial liabilities measured at amortized cost</b>					
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 year ended June 30, 2022.

# ORBIT GARANT DRILLING INC.

## Notes to Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

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

### 23. FINANCIAL INSTRUMENTS (continued)

#### Liquidity risk

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

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. In Note 13 are details of undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

The Company enters into receivable purchase agreements (commonly referred to as "factoring agreements") with different banks as part of its normal working capital financing. The Company receives 100% of the value of the specific sales invoice less a charge between 0.21% and 0.94%. As at June 30, 2022, trade receivables include \$1,317 related to factored accounts (\$2,880 as at June 30, 2021).

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

	Total	0 - 1 year	2 - 3 years	4 - 5 years	As at June 30, 2022	
					More than 5 years	
	\$	\$	\$	\$	\$	\$
Trade and other payables	33,578	33,578	-	-	-	-
Factoring liability	1,317	1,317	-	-	-	-
Long-term debt	37,213	2,222	33,396	1,595	-	-
Lease liabilities	2,066	675	709	292	390	390
	74,174	37,792	34,105	1,887	390	390

	Total	0 - 1 year	2 - 3 years	4 - 5 years	As at June 30, 2021	
					More than 5 years	
	\$	\$	\$	\$	\$	\$
Trade and other payables	30,486	30,486	-	-	-	-
Factoring liability	2,880	2,880	-	-	-	-
Long-term debt	32,703	2,524	28,112	2,067	-	-
Lease liabilities	1,996	635	595	236	530	530
	68,065	36,525	28,707	2,303	530	530

### 24. 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.



# ORBIT GARANT DRILLING INC.

## Notes to Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

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

### 24. SEGMENTED INFORMATION (continued)

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

	June 30 2022	June 30 2021
Contract revenue	\$	\$
Canada	145,201	129,976
International <sup>(1)</sup>	50,272	33,318
	195,473	163,294
Earnings (loss) from operations		
Canada	12,188	15,202
International	(9,799)	(5,707)
	2,389	9,495
General and corporate expenses related to head office <sup>(2)</sup>	3,563	2,452
Finance costs	2,235	2,290
Income tax expense	3,238	2,459
	9,036	7,201
Net (loss) earnings	(6,647)	2,294
<sup>(1)</sup> The International operating segment included		
Chilean revenue	27,135	12,517
West African revenue	18,111	14,530
<sup>(2)</sup> General and corporate expenses include expenses for corporate offices, share options, provision for litigation and certain unallocated costs.		
Depreciation and amortization		
Canada	6,349	5,601
International	3,697	3,257
Total depreciation and amortization included in earnings (loss) from operations	10,046	8,858
Unallocated and corporate assets	1,097	1,677
Total depreciation and amortization	11,143	10,535

**ORBIT GARANT DRILLING INC.**  
**Notes to Consolidated Financial Statements**

For the years ended June 30, 2022 and 2021

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

**24. SEGMENTED INFORMATION (continued)**

(Recast - Note 2)

	As at June 30, 2022	As at June 30, 2021
	\$	\$
Identifiable assets		
Canada	92,099	85,421
Chile	15,906	20,815
West Africa	26,090	26,729
International - Other	2,964	5,177
	<u>137,059</u>	<u>138,142</u>
Property, plant and equipment		
Canada	26,168	25,635
Chile	5,296	7,002
West Africa	9,785	5,280
International - Other	154	921
	<u>41,403</u>	<u>38,838</u>
Right-of-use assets		
Canada	1,424	1,002
Chile	83	73
West Africa	819	930
International - Other	62	101
	<u>2,388</u>	<u>2,106</u>
Intangible assets		
Canada	219	258
Chile	85	42
West Africa	16	261
	<u>320</u>	<u>561</u>

The amounts in the comparative period for identifiable assets and property, plant and equipment have been recast to better reflect their geographical locations.

	June 30 2022	June 30 2021
	\$	\$
Non-current assets acquisitions		
Canada	7,564	4,153
International	5,220	4,222
Unallocated and corporate assets	49	31
	<u>12,833</u>	<u>8,406</u>

# ORBIT GARANT DRILLING INC.

## Notes to Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

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

---

### 25. SUBSEQUENT EVENTS

On September 9, 2022, the Company entered into a additional loan agreement with the Business Development Bank of Canada (the "BDC Loan Agreement") for a term loan in the principal amount of \$8,470. The loan bears interest at a fixed rate of 6.70% per year, has a duration of 240 consecutive monthly payments from November 2022 until October 2042. The fixed rate may be reduced by 0.20% from November 2023, if certain covenants of a financial nature are met. The Company's obligations under the BDC Loan Agreement are secured by a first ranking hypothec on the building serving as the Company's head office located in Val-d'Or.

Consequently, as of September 9, 2022, the amended and restated Credit Agreement has been reduced from \$35,000 to \$30,000. Other amendments have been made to allow the first ranking hypothec applicable to the Loan Agreement BDC above and to modify certain of the financial covenants applicable to the Fiscal 2023 first quarter and future quarters.