



**Unaudited Interim Condensed Consolidated
Financial Statements**

First Quarter Fiscal 2023

(For the three-month periods ended September 30, 2022 and 2021)

These interim condensed consolidated financial statements have not been reviewed by the Company's independent auditors.

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

For the three-month periods ended September 30, 2022 and 2021

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

(Unaudited)

	Notes	September 30 2022 (3 months) \$	September 30 2021 (3 months) \$
Contract revenue	17	53,237	50,570
Cost of contract revenue	3	47,002	46,817
Gross profit		6,235	3,753
Expenses			
General and administrative expenses		3,899	3,756
Foreign exchange (gain) loss		(747)	93
Finance costs		746	446
	3	3,898	4,295
Earnings (loss) before income taxes		2,337	(542)
Income tax expense (recovery)	10		
Current		1,261	66
Deferred		(1)	729
		1,260	795
Net earnings (loss)		1,077	(1,337)
Net earnings (loss) per share	9		
Basic		0.03	(0.04)
Diluted		0.03	(0.04)

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

For the three-month periods ended September 30, 2022 and 2021

(in thousands of Canadian dollars)

(Unaudited)

	September 30 2022 (3 months)	September 30 2021 (3 months)
	\$	\$
Net earnings (loss)	1,077	(1,337)
Other comprehensive earnings (loss)		
Cumulative translation adjustments	(506)	(387)
Other comprehensive earnings (loss), net of income tax	(506)	(387)
Comprehensive earnings (loss)	571	(1,724)

ORBIT GARANT DRILLING INC.

Interim Condensed Consolidated Statements of Changes in Equity

For the three-month periods ended September 30, 2022 and 2021

(in thousands of Canadian dollars)

(Unaudited)

Three-month period ended September 30, 2022					Total
	Share capital	Equity-settled reserve	Retained earnings	Accumulated other comprehensive loss	Shareholders' equity
	\$	\$	\$	\$	\$
	(Note 9)				
Balance as at July 1, 2022	59,204	1,624	5,729	(4,052)	62,505
Total comprehensive earnings (loss)					
Net earnings	-	-	1,077	-	1,077
Other comprehensive earnings					
Cumulative translation adjustments	-	-	-	(506)	(506)
Other comprehensive earnings	-	-	-	(506)	(506)
Transactions with shareholders, recorded directly in equity					
Share-based compensation (Note 9)	-	26	-	-	26
Stock options cancelled	-	-	-	-	-
Total transactions with shareholders	-	26	-	-	26
Balance as at September 30, 2022	59,204	1,650	6,806	(4,558)	63,102

Three-month period ended September 30, 2021					Total
	Share capital	Equity-settled reserve	Retained earnings	Accumulated other comprehensive loss	Shareholders' equity
	\$	\$	\$	\$	\$
	(Note 9)				
Balance as at July 1, 2021	59,204	1,452	12,342	(2,650)	70,348
Total comprehensive (loss) earnings					
Net loss	-	-	(1,337)	-	(1,337)
Other comprehensive loss					
Cumulative translation adjustments	-	-	-	(387)	(387)
Other comprehensive loss	-	-	-	(387)	(387)
Transactions with shareholders, recorded directly in equity					
Share-based compensation (Note 9)	-	72	-	-	72
Stock options cancelled	-	-	-	-	-
Total transactions with shareholders	-	72	-	-	72
Balance as at September 30, 2021	59,204	1,524	11,005	(3,037)	68,696

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

As at September 30, 2022 and June 30, 2022

(in thousands of Canadian dollars)

(Unaudited)

	Notes	September 30 2022	June 30 2022
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		1,721	1,018
Trade and other receivables		39,693	39,401
Inventories		51,921	49,006
Income taxes receivable		596	664
Prepaid expenses		1,245	1,077
		95,176	91,166
Non-current assets			
Investments	4	111	146
Property, plant and equipment	5	42,250	41,403
Right-of-use assets		2,387	2,388
Intangible assets		285	320
Deferred tax assets		1,773	1,636
Total assets		141,982	137,059
LIABILITIES			
Current liabilities			
Trade and other payables		35,794	33,578
Income taxes payable		1,188	12
Factoring liability		851	1,317
Current portion of long-term debt	6	2,899	2,222
Current portion of lease liabilities	7	760	675
		41,492	37,804
Non-current liabilities			
Deferred tax liabilities		766	657
Long-term debt	6	35,273	34,702
Lease liabilities	7	1,349	1,391
		78,880	74,554
EQUITY			
Share capital	9	59,204	59,204
Equity-settled reserve		1,650	1,624
Retained earnings		6,806	5,729
Accumulated other comprehensive loss		(4,558)	(4,052)
Equity attributable to shareholders		63,102	62,505
Total liabilities and equity		141,982	137,059

Contingencies and commitments (notes 12 and 13)

APPROVED BY THE BOARD

 Éric Alexandre, Director

 Nicole Veilleux, Director

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

For the three-month periods ended September 30, 2022 and 2021

(in thousands of Canadian dollars)

(Unaudited)

	Notes	September 30 2022 (3 months) \$	September 30 2021 (3 months) \$
OPERATING ACTIVITIES			
Earnings (loss) before income taxes		2,337	(542)
Items not affecting cash			
Depreciation of property, plant and equipment		2,537	2,502
Depreciation of right-of-use assets		121	135
Amortization of intangible assets		47	166
Loss (gain) on disposal of property, plant and equipment	5	55	(132)
Share-based compensation	9	26	72
Finance costs		746	446
Net change in fair value of investments	4	35	48
		5,904	2,695
Changes in non-cash operating working capital items	11	(1,692)	899
Income taxes (paid) received		(10)	12
Finance costs paid		(731)	(404)
		3,471	3,202
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	5	(2,982)	(3,577)
Proceeds from disposal of property, plant and equipment	5	211	172
Acquisition of intangible assets		(12)	(40)
		(2,783)	(3,445)
FINANCING ACTIVITIES			
Proceeds from factoring		1,741	3,053
Repayment on factoring		(2,232)	(4,712)
Proceeds from long-term debt		35,431	26,603
Repayment of long-term debt		(34,592)	(25,942)
Repayment of lease liabilities		(220)	(175)
		128	(1,173)
Effect of exchange rate changes on cash and cash equivalents		(113)	(65)
Increase (decrease) in cash		703	(1,481)
Cash and cash equivalents, beginning of the period		1,018	3,256
Cash and cash equivalents, end of the period		1,721	1,775

See accompanying notes to interim condensed consolidated financial statements.

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ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three-month periods ended September 30, 2022 and 2021

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

(Unaudited)

1. DESCRIPTION OF BUSINESS

Orbit Garant Drilling Inc. (the "Company"), amalgamated under the *Canada Business Corporations Act*, mainly operates a surface and underground diamond drilling business. The Company has operations in Canada, United States, Central and South America and West Africa.

The Company's head office is located at 3200, boul. Jean-Jacques Cossette, Val-d'Or (Québec), Canada. The Company holds interests in several entities. The percentage of voting rights in its subsidiaries and its associates is as follows:

	% of voting rights
Orbit Garant Drilling Services Inc.	100%
9116-9300 Québec inc.	100%
Drift Exploration Drilling Inc.	100%
Drift de Mexico SA de CV	100%
Orbit Garant Chile S.A.	100%
Orbit Garant Drilling Ghana Limited	100%
Perforación Orbit Garant Peru S.A.C.	100%
OGD Drilling (Guyana) Inc.	100%
Forage Orbit Garant BF S.A.S.	100%
Forage Orbit Garant Guinée SARLU	100%
Sarliaq-Orbit Garant Inc.	49%
Tumiit Orbit Garant Inc.	49%

2. BASIS OF PREPARATION

Basis of presentation

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, ("IAS 34"). The IFRS accounting policies that are set out in Note 4 to the Company's annual audited consolidated statements for the year ended June 30, 2022 were consistently applied to all periods presented. These interim condensed consolidated financial statements have not been subject to a review engagement by the Company's independent auditors.

The preparation of interim condensed consolidated financial statements in conformity with IAS 34 requires the use of certain critical accounting estimates, assumptions and judgments. It also requires Management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in Note 5 in the Company's annual audited consolidated financial statements for the year ended June 30, 2022. They remained unchanged for the three-month period ended September 30, 2022.

These interim condensed consolidated financial statements have been prepared on a historical cost basis except for the investments, which are measured at fair value, and share-based compensation which is measured in accordance with IFRS 2, *Share-Based Payment*. They are presented in Canadian dollars, which is the currency of the primary economic environment in which the Company operates ("functional currency"). All values are rounded to the nearest thousand dollars, except where otherwise indicated.

These interim condensed consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's 2022 annual audited consolidated financial statements.

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

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three-month periods ended September 30, 2022 and 2021

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

(Unaudited)

2. BASIS OF PREPARATION (continued)

Principles of consolidation

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

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

3. EXPENSES BY NATURE

Detail of the depreciation and amortization expenses

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

	September 30 2022 (3 months)	September 30 2021 (3 months)
	\$	\$
Cost of contract revenue	2,464	2,453
General and administrative expenses	241	350
Total depreciation and amortization	2,705	2,803

Principal expenses by nature

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

	September 30 2022 (3 months)	September 30 2021 (3 months)
	\$	\$
Depreciation and amortization	2,705	2,803
Employee benefits expense	25,863	25,100
Cost of inventories	13,222	11,137
Other expenses	9,110	12,072
Total cost of contract revenue, general and administrative expenses, foreign exchange (gain) loss and finance costs	50,900	51,112
Cost of contract revenue	47,002	46,817
General and administrative expenses, foreign exchange (gain) loss and finance costs	3,898	4,295
Total cost of contract revenue, general and administrative expenses, foreign exchange (gain) loss and finance costs	50,900	51,112

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three-month periods ended September 30, 2022 and 2021

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

(Unaudited)

4. INVESTMENTS

	Three-month period ended September 30, 2022	Year ended June 30, 2022
	\$	\$
Investments in public companies, beginning of the year	146	259
Proceeds from disposal of investments	-	(28)
Change in fair value of investments measured at fair value through profit or loss	(35)	(85)
Investments in public companies, end of the period	111	146

5. PROPERTY, PLANT AND EQUIPMENT

	September 30 2022 (3 months)	September 30 2021 (3 months)
	\$	\$
Acquisition of property, plant and equipment	2,982	3,577
Proceeds from disposal of property, plant and equipment	(211)	(172)
Loss (gain) on disposal of property, plant and equipment	55	(132)

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

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three-month periods ended September 30, 2022 and 2021

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

(Unaudited)

6. LONG-TERM DEBT

	September 30 2022	June 30 2022
	\$	\$
Loan of US\$1,000 (June 30, 2022: US\$1,000) authorized for a maximum amount of \$6,854 (US\$5,000), bearing interest at base rate plus 0.25%, effective rate as at September 30, 2022 of 7.00% (June 30, 2022: interest at base rate plus 0.25%, effective rate of 5.50%), maturing in November 2024, secured by a first rank hypothec on the universality of all present and future assets, except for those noted below ^(d)	1,371	1,289
Loan authorized for a maximum amount of \$30,000, bearing interest at prime rate plus 2.25%, effective rate as at September 30, 2022 of 7.70% (June 30, 2022: interest at prime rate plus 3.75%, effective rate of 7.45%), maturing in November 2024, secured by a first rank hypothec on the universality of all present and future assets, except for those noted below ^{(a) (b) (d)}	23,005	30,003
Loan, bearing interest at 6.70%, payable in monthly instalments of \$64 starting in November 2022, maturing in October 2042, secured by a first rank hypothec on a land and building ^{(c) (e)}	8,425	-
Loan of US\$2,030 (June 30, 2022: US\$2,320), bearing interest at prime rate plus 2.75%, effective rate as at September 30, 2022 of 9.00% (June 30, 2022: bearing interest at prime rate plus 2.75%, effective rate of 7.50%), payable in monthly instalments of \$133 (US\$97) (June 30, 2022 : \$125 (US\$97)) as from May 2019, maturing in July 2024, secured by a third rank hypothec on the universality of all present and future assets	2,783	2,990
Loans of CLP\$297,657 (June 30, 2022: CLP\$400,925), bearing interest at rates of 3.50%, payable in monthly instalments of \$51 (CLP\$35,501) (June 30, 2022: \$50 (CPL\$35,501)) from December 2020, maturing in June 2023	424	558
Loan of CLF 45 (June 30, 2022: CLF 46), bearing interest at rates of 3.30%, payable in monthly instalments of \$22 (CLF 0.43) from March 2021, maturing in February 2028, secured by a land and bulding. ^(f)	2,164	2,084
	38,172	36,924
Current portion	(2,899)	(2,222)
	35,273	34,702

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three-month periods ended September 30, 2022 and 2021

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

(Unaudited)

6. LONG-TERM DEBT (continued)

- (a) The Loans bear interest at either (a) the bank's prime rate plus an applicable margin based on a financial covenant or (b) the banker's acceptance rate plus an applicable margin based on a financial covenant. In addition, the Corporation incurs commitment fees, varying between 0.35% to 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 \$195 (\$254 as at June 30, 2022), 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) An unamortized amount of \$45 (\$0 as at June 30, 2022), 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.
- (d) 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 reduced from \$35,000 to \$30,000.
- (e) 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 land and building serving as the Company's head office located in Val-d'Or.
- (f) An unamortized amount of \$34 (\$35 as at June 30, 2022), representing financing fees, has been netted against the long-term debt. This amount is being amortized to earnings over the term of the debt, using the effective interest method.

Under the terms of the long-term debt agreements, the Company must satisfy certain restrictive covenants as to minimum financial ratios (Note 8). As at September 30, 2022, the Company was compliant with its financial covenants (June 30, 2022: the Company was compliant with its financial covenants).

As at September 30, 2022, the prime rate in Canada was 5.45% for Canadian loans (3.70% as at June 30, 2022), the prime rate in United States was 6.25% and the base rate in the United States was 6.75% for US loans (4.75% and 5.25%, respectively as at June 30, 2022).

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

	\$
Within one year	2,899
Later than one year and no later than five years	29,625
Later than five years	5,922
	<u>38,446</u>

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

As at September 30, 2022		Within	Later than one	Later than
\$000s	Total	one year	but no later than	five years
	\$	\$	five years	\$
CAN	31,669	705	26,279	4,685
US (US\$3,030)	4,154	1,590	2,564	-
Chilian UF (CLF 45)	2,199	180	782	1,237
Pesos chiliens (CLP\$297,657)	424	424	-	-
	<u>38,446</u>	<u>2,899</u>	<u>29,625</u>	<u>5,922</u>

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three-month periods ended September 30, 2022 and 2021

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

(Unaudited)

7. LEASE LIABILITIES

The summary of the activity related to the lease liabilities for the three-month periods ended September 30, 2022 and 2021 is as follows:

	September 30 2022	September 30 2021
	\$	\$
Lease liabilities recognized, beginning of period	2,066	1,996
Additions	260	611
Finance costs	30	34
Payment of lease liabilities, including related finance costs	(250)	(209)
Variable lease payment adjustment	3	1
Foreign exchange differences	-	(2)
	2,109	2,431
Current portion	760	716
Balance, end of period	1,349	1,715

Lease payments required in the next years are as follows:

	September 30 2022
	\$
Within one year	871
Later than one year and no later than five years	1,204
Later than five years	380
	2,455
Less: discounting impact	(346)
Present value of lease payments	2,109

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three-month periods ended September 30, 2022 and 2021

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

(Unaudited)

8. 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:

	September 30 2022	June 30 2022
	\$	\$
Long-term debt	38,172	36,924
Lease liabilities	2,109	2,066
Factoring liability	851	1,317
Share capital	59,204	59,204
Equity-settled reserve	1,650	1,624
Retained earnings	6,806	5,729
Accumulated other comprehensive loss	(4,558)	(4,052)
Cash and equivalents	(1,721)	(1,018)
	102,513	101,794

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 September 30, 2022, as mentioned in Note 6, the Company complied with its covenants (June 30, 2022: 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.

9. 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.

	Three-month period ended September 30, 2022		Year ended June 30, 2022	
	Number of shares	\$	Number of shares	\$
Common shares				
Balance, beginning of the period	37,372,756	59,204	37,372,756	59,204
Shares issued:				
For share options exercised	-	-	-	-
Balance, end of the period	37,372,756	59,204	37,372,756	59,204

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three-month periods ended September 30, 2022 and 2021

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

(Unaudited)

9. SHARE CAPITAL (continued)

Net earnings (loss) per share

Diluted net earnings per common share was calculated based on net earnings (loss) divided by the average number of common shares outstanding using the treasury shares method. For the numbers in the three-month period ended September 30, 2021, stock options are not included in the computation of diluted net loss per share as their inclusion would be anti-dilutive.

	September 30 2022 (3 months)	September 30 2021 (3 months)
Net earnings (loss) per share - basic		
Net earnings (loss) attributable to common shareholders	\$ 1,077	\$ (1,337)
Weighted average basic number of common shares outstanding	37,372,756	37,372,756
Net earnings (loss) per share - basic	\$ 0.03	\$ (0.04)

	September 30 2022 (3 months)	September 30 2021 (3 months)
Net earnings (loss) per share - diluted		
Net earnings (loss) attributable to common shareholders	\$ 1,077	\$ (1,337)
Weighted average basic number of common shares outstanding	37,372,756	37,372,756
Adjustment to average number of common shares - stock options	6,329	-
Weighted average diluted number of common shares outstanding	37,379,085	37,372,756
Net earnings (loss) per share - diluted	\$ 0.03	\$ (0.04)

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

	September 30, 2022 (3 months)		September 30, 2021 (3 months)	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding at the beginning of the period	3,243,500	1.24	3,342,500	1.24
Cancelled during the period	-	-	-	-
Outstanding at end of the period	3,243,500	1.24	3,342,500	1.24
Exercisable at end of the period	2,256,502	1.40	1,464,834	1.56

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three-month periods ended September 30, 2022 and 2021

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

(Unaudited)

9. SHARE CAPITAL (continued)

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

Range of exercise price \$	Outstanding at September 30, 2022	Weighted average remaining life (years)	Weighted average exercise price \$	Exercisable at September 30, 2022	Weighted average exercise price \$
0.50 - 1.49	2,007,500	2.62	0.86	1,020,502	0.83
1.50 - 2.49	1,236,000	0.84	1.87	1,236,000	1.87
	3,243,500			2,256,502	

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

	September 30 2022 (3 months)	September 30 2021 (3 months)
Expense related to share-based compensation	\$ 26	\$ 72

10. INCOME TAXES

	September 30 2022 (3 months)	September 30 2021 (3 months)
Earnings (loss) before income taxes	\$ 2,337	\$ (542)
Statutory rates	26.50%	26.50%
Income taxes based on statutory rates	619	(144)
Increase (decrease) of income taxes due to the following:		
Non-deductible expenses	12	21
Non-deductible share-based compensation expense	7	19
Difference of income tax rates between territories	50	23
Withholding taxes	-	53
Income tax assets unrecognized	745	849
Non-taxable portion of capital gain	(144)	(44)
Prior years adjustments	(3)	17
Other	(26)	1
Total income tax expense	1,260	795

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three-month periods ended September 30, 2022 and 2021

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

(Unaudited)

11. ADDITIONAL INFORMATION RELATING TO THE STATEMENTS OF CASH FLOWS

Changes in non-cash operating working capital items:

	September 30 2022 (3 months)	September 30 2021 (3 months)
	\$	\$
Trade and other receivables	(318)	(944)
Inventories	(2,763)	(3,806)
Prepaid expenses	(157)	99
Trade and other payables	1,546	5,550
	(1,692)	899

12. 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.

13. 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 \$138 for the rental of offices and \$46 for the rental of drilling equipment. None of the lease agreements contain renewal or purchase options or escalation clauses or any restrictions. The lease payments under these lease agreements for the next three years amount to \$167 for 2023 and \$17 for 2024.

Guarantees

For the three-month period ended September 30, 2022, the Company issued some bank guarantees in favor of customers for a total amount of \$2,557 (for the three-month period ended September 30, 2021: \$1,474), maturing between October 2022 and June 2023. For the three-month periods ended September 30, 2022 and 2021, the Company has not made any payments in connection with these guarantees.

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(Unaudited)

14. 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:

	September 30 2022 (3 months)	September 30 2021 (3 months)
Revenues	\$ 13	\$ -
Expenses	38	38

As at September 30, 2022, an amount of \$2 was receivable resulting from these transactions (June 30, 2022: \$0).

In addition, for the three-month period ended September 30, 2022, repayments of a lease liability totalling \$21 were made to Dynamitage Castonguay Ltd. (for the three-month period ended September 30, 2022: \$21).

Transactions with associate parties

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

	September 30 2022 (3 months)	September 30 2021 (3 months)
Revenues	\$ 8,981	\$ 7,000

As at September 30, 2022, trade and other receivables included an amount receivable of \$4,616 from one of the Company's associates (June 30, 2022: \$4,322).

As at September 30, 2022, the investment in an associate totaled \$0 in the interim condensed consolidated statements of financial position (June 30, 2022: \$0).

All of these related and associate parties transactions made in the normal course of business were measured at the exchange amount, which is the amount established and agreed to by the parties.

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15. KEY MANAGEMENT COMPENSATION

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

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

	September 30 2022 (3 months)	September 30 2021 (3 months)
	\$	\$
Salaries and fees	256	246
Share-based compensation	12	27
	<u>268</u>	<u>273</u>

16. FINANCIAL INSTRUMENTS

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

Credit risk

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

Fair value

The fair value of cash and cash 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 some of it bears interest at a variable rate and has financing conditions similar to those currently available to the Company, whereas the most significant fixed interest rate loan was contracted in September 2022.

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16. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

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

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

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

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

As at September 30, 2022	Carrying value	Fair value	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$
Financial assets measured at amortized cost					
Cash and cash equivalents	1,721	1,721			
Trade and other receivables	39,693	39,693			
Financial assets measured at fair value					
Investments	111	111	111	-	-
Financial liabilities measured at amortized cost					
Trade and other payables	35,794	35,794			
Factoring Liability	851	851			
Long-term debt	38,172	38,172			
As at June 30, 2022	Carrying value	Fair value	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$
Financial assets measured at amortized cost					
Cash and cash equivalents	1,018	1,018			
Trade and other receivables	39,401	39,401			
Financial assets measured at fair value					
Investments	146	146	146	-	-
Financial liabilities measured at amortized cost					
Trade and other payables	33,578	33,578			
Factoring Liability	1,317	1,317			
Long-term debt	36,924	36,924			

There were no transfers of amounts between Level 1, Level 2 and Level 3 financial instruments for the three-month period ended September 30, 2022.

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(Unaudited)

17. SEGMENTED INFORMATION

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

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

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

	September 30 2022 (3 months)	September 30 2021 (3 months)
Contract revenue	\$	\$
Canada	42,782	37,901
International ⁽¹⁾	10,455	12,669
	53,237	50,570
Earnings (loss) from operations		
Canada	5,300	3,308
International	(1,980)	(2,233)
	3,320	1,075
General and corporate expenses ⁽²⁾	237	1,171
Finance costs	746	446
Income tax expense	1,260	795
	2,243	2,412
Net (loss) earnings	1,077	(1,337)
⁽¹⁾ The International operating segment included		
West African revenue	3,377	5,131
Chilean revenue	5,604	6,622

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

	September 30 2022 (3 months)	September 30 2021 (3 months)
Depreciation and amortization	\$	\$
Canada	1,654	1,588
International	810	866
Total depreciation and amortization included in earnings from operations	2,464	2,454
Unallocated and corporate assets	241	349
Total depreciation and amortization	2,705	2,803

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17. SEGMENTED INFORMATION (continued)

	As at September 30, 2022	As at June 30, 2022
	\$	\$
Identifiable assets		
Canada	97,312	92,099
Chile	15,497	15,906
West Africa	25,840	26,090
International - Other	3,333	2,964
	<u>141,982</u>	<u>137,059</u>
Property, plant and equipment		
Canada	26,798	26,168
Chile	5,535	5,296
West Africa	9,774	9,785
International - Other	143	154
	<u>42,250</u>	<u>41,403</u>
Right-of-use assets		
Canada	1,472	1,424
Chile	72	83
West Africa	791	819
International - Other	52	62
	<u>2,387</u>	<u>2,388</u>
Intangible assets		
Canada	201	219
Chile	70	85
West Africa	14	16
	<u>285</u>	<u>320</u>
	September 30 2022 (3 months)	September 30 2021 (3 months)
	\$	\$
Non-current assets acquisitions		
Canada	2,775	1,861
International	447	2,312
Unallocated and corporate assets	17	56
	<u>3,239</u>	<u>4,229</u>