



**Unaudited Interim Condensed Consolidated  
Financial Statements**

**Second Quarter Fiscal 2023**

(For the three and six-month periods ended December 31, 2022 and 2021)

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

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

For the three and six-month periods ended December 31, 2022 and 2021

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

(Unaudited)

	Notes	December 31 2022 (3 months) \$	December 31 2021 (3 months) \$	December 31 2022 (6 months) \$	December 31 2021 (6 months) \$
<b>Contract revenue</b>	17	51,621	45,882	104,859	96,452
Cost of contract revenue	3	44,842	43,135	91,845	89,952
Gross profit		6,779	2,747	13,014	6,500
<b>Expenses</b>					
General and administrative expenses	3	3,875	3,187	7,774	6,943
Foreign exchange (gain) loss		(1,215)	337	(1,962)	430
Finance costs		821	584	1,567	1,030
	3	3,481	4,108	7,379	8,403
Earnings (loss) before income taxes		3,298	(1,361)	5,635	(1,903)
<b>Income tax expense</b>	10				
Current		861	170	2,122	236
Deferred		314	202	313	931
		1,175	372	2,435	1,167
<b>Net earnings (loss)</b>		2,123	(1,733)	3,200	(3,070)
<b>Net earnings (loss) per share</b>	9				
Basic		0.06	(0.05)	0.09	(0.08)
Diluted		0.06	(0.05)	0.09	(0.08)

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

For the three and six-month periods ended December 31, 2022 and 2021

(in thousands of Canadian dollars)

(Unaudited)

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	December 31 2022 (3 months)	December 31 2021 (3 months)	December 31 2022 (6 months)	December 31 2021 (6 months)
	\$	\$	\$	\$
<b>Net earnings (loss)</b>	2,123	(1,733)	3,200	(3,070)
<b>Other comprehensive earnings (loss)</b>				
Cumulative translation adjustments	134	(657)	(373)	(1,044)
Other comprehensive earnings (loss), net of income tax	134	(657)	(373)	(1,044)
<b>Comprehensive earnings (loss)</b>	2,257	(2,390)	2,827	(4,114)

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# ORBIT GARANT DRILLING INC.

## Interim Condensed Consolidated Statements of Changes in Equity

For the six-month periods ended December 31, 2022 and 2021

(in thousands of Canadian dollars)

(Unaudited)

Six-month period ended December 31, 2022					Total
	Share capital	Equity-settled reserve	Retained earnings	Accumulated other comprehensive loss	Shareholders' equity
	\$	\$	\$	\$	\$
	(Note 9)				
<b>Balance as at July 1, 2022</b>	59,204	1,624	5,729	(4,052)	62,505
<b>Total comprehensive earnings (loss)</b>					
Net earnings	-	-	3,200	-	3,200
Other comprehensive loss					
Cumulative translation adjustments	-	-	-	(373)	(373)
Other comprehensive loss	-	-	-	(373)	(373)
Transactions with shareholders, recorded directly in equity					
Share-based compensation (Note 9)	-	42	-	-	42
Share options cancelled (Note 9)	-	(454)	454	-	-
Total transactions with shareholders	-	(412)	454	-	42
<b>Balance as at December 31, 2022</b>	59,204	1,212	9,383	(4,425)	65,374

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

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

As at December 31, 2022 and June 30, 2022

(in thousands of Canadian dollars)

(Unaudited)

	Notes	December 31 2022 \$	June 30 2022 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		52	1,018
Restricted cash	13	871	-
Trade and other receivables		34,773	39,401
Inventories		54,037	49,006
Income taxes receivable		281	664
Prepaid expenses		1,137	1,077
		91,151	91,166
<b>Non-current assets</b>			
Investments	4	125	146
Property, plant and equipment	5	41,785	41,403
Right-of-use assets		2,371	2,388
Intangible assets		251	320
Deferred tax assets		1,917	1,636
<b>Total assets</b>		<b>137,600</b>	<b>137,059</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		31,034	33,578
Income taxes payable		1,280	12
Factoring liability		1,888	1,317
Current portion of long-term debt	6	2,304	2,222
Current portion of lease liabilities	7	760	675
		37,266	37,804
<b>Non-current liabilities</b>			
Deferred tax liabilities		1,076	657
Long-term debt	6	32,633	34,702
Lease liabilities	7	1,251	1,391
		72,226	74,554
<b>EQUITY</b>			
Share capital	9	59,204	59,204
Equity-settled reserve		1,212	1,624
Retained earnings		9,383	5,729
Accumulated other comprehensive loss		(4,425)	(4,052)
Equity attributable to shareholders		65,374	62,505
<b>Total liabilities and equity</b>		<b>137,600</b>	<b>137,059</b>

Contingencies and commitments (notes 12 and 13)

**APPROVED BY THE BOARD**

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 Pierre Alexandre, Director

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 Nicole Veilleux, Director

# ORBIT GARANT DRILLING INC.

## Interim Condensed Consolidated Statements of Cash Flows

For the three and six-month periods ended December 31, 2022 and 2021

(in thousands of Canadian dollars)

(Unaudited)

		December 31 2022 (3 months)	December 31 2021 (3 months)	December 31 2022 (6 months)	December 31 2021 (6 months)
	Notes	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>					
Earnings (loss) before income taxes		3,298	(1,361)	5,635	(1,903)
Items not affecting cash					
Depreciation of property, plant and equipment	5	2,640	2,642	5,177	5,195
Depreciation of right-of-use assets		131	124	252	259
Amortization of intangible assets		49	26	96	141
Gain on disposal of property, plant and equipment	5	(333)	(310)	(278)	(442)
Share-based compensation	9	16	59	42	131
Finance costs		821	584	1,567	1,030
Net change in fair value of investments	4	(14)	(60)	21	(12)
		6,608	1,704	12,512	4,399
Changes in non-cash operating working capital items	11	(2,808)	2,334	(4,502)	3,233
Income taxes paid		(454)	(155)	(464)	(143)
Finance costs paid		(862)	(665)	(1,592)	(1,069)
		2,484	3,218	5,954	6,420
<b>INVESTING ACTIVITIES</b>					
Acquisition of property, plant and equipment	5	(1,778)	(1,962)	(4,760)	(5,579)
Proceeds from disposal of property, plant and equipment	5	454	640	665	812
Acquisition of intangible assets		(12)	-	(24)	-
		(1,336)	(1,322)	(4,119)	(4,767)
<b>FINANCING ACTIVITIES</b>					
Proceeds from factoring		3,903	4,267	5,644	7,320
Repayment on factoring		(3,064)	(3,813)	(5,296)	(8,525)
Proceeds from long-term debt		28,769	23,501	64,200	50,104
Repayment of long-term debt		(32,264)	(25,598)	(66,856)	(51,540)
Repayment of lease liabilities		(234)	(143)	(454)	(318)
		(2,890)	(1,786)	(2,762)	(2,959)
Effect of exchange rate changes on cash and cash equivalents		73	(791)	(39)	(856)
<b>Decrease in cash</b>		(1,669)	(681)	(966)	(2,162)
<b>Cash and cash equivalents, beginning of the period</b>		1,721	1,775	1,018	3,256
<b>Cash and cash equivalents, end of the period</b>		52	1,094	52	1,094

# ORBIT GARANT DRILLING INC.

## Notes to Interim Condensed Consolidated Financial Statements

For the three and six-month periods ended December 31, 2022 and 2021

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

(Unaudited)

### 1. DESCRIPTION OF BUSINESS

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

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

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

### 2. BASIS OF PREPARATION

#### Basis of presentation

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, ("IAS 34"). The IFRS accounting policies that are set out in Note 4 to the Company's annual audited consolidated financial 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 and six-month periods ended December 31, 2022.

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

These interim condensed consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's 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 February 8, 2023.

# ORBIT GARANT DRILLING INC.

## Notes to Interim Condensed Consolidated Financial Statements

For the three and six-month periods ended December 31, 2022 and 2021

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

(Unaudited)

### 2. BASIS OF PREPARATION (continued)

#### Principles of consolidation

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

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

### 3. EXPENSES BY NATURE

#### Detail of the depreciation and amortization expenses

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

	December 31 2022 (3 months)	December 31 2021 (3 months)	December 31 2022 (6 months)	December 31 2021 (6 months)
	\$	\$	\$	\$
Cost of contract revenue	2,570	2,538	5,033	4,992
General and administrative expenses	250	254	492	603
Total depreciation and amortization	2,820	2,792	5,525	5,595

#### Principal expenses by nature

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

	December 31 2022 (3 months)	December 31 2021 (3 months)	December 31 2022 (6 months)	December 31 2021 (6 months)
	\$	\$	\$	\$
Depreciation and amortization	2,820	2,792	5,525	5,595
Employee benefits expense	25,826	23,271	51,690	48,371
Cost of inventories	9,220	9,891	22,443	21,028
Other expenses	10,457	11,289	19,566	23,361
Total cost of contract revenue, general and administrative expenses, foreign exchange (gain) loss and finance costs	48,323	47,243	99,224	98,355
Cost of contract revenue	44,842	43,135	91,845	89,952
General and administrative expenses, foreign exchange (gain) loss and finance costs	3,481	4,108	7,379	8,403
Total cost of contract revenue, general and administrative expenses, foreign exchange (gain) loss and finance costs	48,323	47,243	99,224	98,355



# ORBIT GARANT DRILLING INC.

## Notes to Interim Condensed Consolidated Financial Statements

For the three and six-month periods ended December 31, 2022 and 2021

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

(Unaudited)

### 4. INVESTMENTS

	Six-month period ended December 31, 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	(21)	(85)
Investments in public companies, end of the period	125	146

### 5. PROPERTY, PLANT AND EQUIPMENT

	December 31 2022 (3 months)	December 31 2021 (3 months)	December 31 2022 (6 months)	December 31 2021 (6 months)
	\$	\$	\$	\$
Acquisition of property, plant and equipment	1,778	1,962	4,760	5,579
Proceeds from disposal of property, plant and equipment	(454)	(640)	(665)	(812)
Gain on disposal of property, plant and equipment	(333)	(310)	(278)	(442)

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

# ORBIT GARANT DRILLING INC.

## Notes to Interim Condensed Consolidated Financial Statements

For the three and six-month periods ended December 31, 2022 and 2021

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

(Unaudited)

### 6. LONG-TERM DEBT

	December 31 2022	June 30 2022
	\$	\$
Loan of US\$1,000 (June 30, 2022: US\$1,000) authorized for a maximum amount of \$6,772 (US\$5,000), bearing interest at base rate plus 0.25%, effective rate as at December 31, 2022 of 8.25% (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 <sup>(d)</sup>	1,354	1,289
Loan authorized for a maximum amount of \$30,000, bearing interest at prime rate plus 2.00%, effective rate as at December 31, 2022 of 8.45% (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 <sup>(a) (b) (d)</sup>	20,177	30,003
Loan, bearing interest at 6.70%, payable in monthly instalments of \$64, maturing in October 2042, secured by a first rank hypothec on a land and building <sup>(c) (e)</sup>	8,313	-
Loan of US\$1,740 (June 30, 2022: US\$2,320), bearing interest at prime rate plus 2.75%, effective rate as at December 31, 2022 of 10.25% (June 30, 2022: bearing interest at prime rate plus 2.75%, effective rate of 7.50%), payable in monthly instalments of \$131 (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	2,357	2,990
Loans of CLP\$193,459 (June 30, 2022: CLP\$400,925), bearing interest at rates of 3.50%, payable in monthly instalments of \$56 (CLP\$35,501) (June 30, 2022: \$50 (CPL\$35,501)) from December 2020, maturing in June 2023	307	558
Loan of CLF 44 (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. <sup>(f)</sup>	2,429	2,084
	34,937	36,924
Current portion	(2,304)	(2,222)
	32,633	34,702

# ORBIT GARANT DRILLING INC.

## Notes to Interim Condensed Consolidated Financial Statements

For the three and six-month periods ended December 31, 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 \$159 (\$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 \$124 (\$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 \$36 (\$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 December 31, 2022, the Company was compliant with its financial covenants (June 30, 2022: the Company was compliant with its financial covenants).

As at December 31, 2022, the prime rate in Canada was 6.45% for Canadian loans (3.70% as at June 30, 2022), the prime rate in United States was 7.50% and the base rate in the United States was 8.00% for US loans (4.75% and 5.25%, respectively as at June 30, 2022).

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

	\$
Within one year	2,304
Later than one year and no later than five years	24,469
Later than five years	8,482
	<u>35,255</u>

# ORBIT GARANT DRILLING INC.

## Notes to Interim Condensed Consolidated Financial Statements

For the three and six-month periods ended December 31, 2022 and 2021

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

(Unaudited)

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

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

As at December 31, 2022 \$000s	Total	Within one year	Later than one but no later than five years	Later than five years
	\$	\$	\$	\$
CAN	28,771	218	21,427	7,126
US (US\$2,840)	3,711	1,571	2,140	-
Chilian UF (CLF 44)	2,466	208	902	1,356
Pesos chiliens (CLP\$193,459)	307	307	-	-
	<b>35,255</b>	<b>2,304</b>	<b>24,469</b>	<b>8,482</b>

### 7. LEASE LIABILITIES

The summary of the activity related to the lease liabilities for the three-month and six-month periods ended December 31, 2022 and 2021 is as follows:

	December 31 2022 (3 months)	December 31 2021 (3 months)	December 31 2022 (6 months)	December 31 2021 (6 months)
	\$	\$	\$	\$
<b>Lease liabilities recognized, beginning of period</b>	2,109	2,431	2,066	1,996
Additions	122	110	382	722
Disposals	-	(29)	-	(29)
Finance cost	33	38	63	72
Payment of lease liabilities, including related finance costs	(267)	(181)	(517)	(390)
Variable lease payment adjustment <sup>(a)</sup>	2	-	5	-
Foreign exchange differences	12	(9)	12	(11)
	<b>2,011</b>	<b>2,360</b>	<b>2,011</b>	<b>2,360</b>
Current portion	760	733	760	733
<b>Balance, end of period</b>	<b>1,251</b>	<b>1,627</b>	<b>1,251</b>	<b>1,627</b>

(a) The variable lease payments depend on an index or a rate.

Lease payments required in the next years are as follows:

	December 31 2022
	\$
Within one year	863
Later than one year and no later than five years	1,129
Later than five years	336
	<b>2,328</b>
Less: discounting impact	(317)
Present value of lease payments	<b>2,011</b>

# ORBIT GARANT DRILLING INC.

## Notes to Interim Condensed Consolidated Financial Statements

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

	December 31 2022	June 30 2022
	\$	\$
Long-term debt	34,937	36,924
Lease liabilities	2,011	2,066
Factoring liability	1,888	1,317
Share capital	59,204	59,204
Equity-settled reserve	1,212	1,624
Retained earnings	9,383	5,729
Accumulated other comprehensive loss	(4,425)	(4,052)
Cash and equivalents	(52)	(1,018)
	104,158	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 December 31, 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.

	Six-month period ended December 31, 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 and six-month periods ended December 31, 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 (loss) 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 comparative periods, share options are not included in the computation of diluted net loss per share as their inclusion would be anti-dilutive.

	December 31 2022 (3 months)	December 31 2021 (3 months)	December 31 2022 (6 months)	December 31 2021 (6 months)
<b>Net earnings (loss) per share - basic</b>				
Net earnings (loss) attributable to common shareholders	\$ 2,123	\$ (1,733)	\$ 3,200	\$ (3,070)
Weighted average basic number of common shares outstanding	37,372,756	37,372,756	37,372,756	37,372,756
Net earnings (loss) per share - basic	\$ 0.06	\$ (0.05)	\$ 0.09	\$ (0.08)

	December 31 2022 (3 months)	December 31 2021 (3 months)	December 31 2022 (6 months)	December 31 2021 (6 months)
<b>Net earnings (loss) per share - diluted</b>				
Net earnings (loss) attributable to common shareholders	\$ 2,123	\$ (1,733)	\$ 3,200	\$ (3,070)
Weighted average basic number of common shares outstanding	37,372,756	37,372,756	37,372,756	37,372,756
Adjustment to average number of common share - stock options	2,870	-	6,329	-
Weighted average diluted number of common shares outstanding	37,375,626	37,372,756	37,379,085	37,372,756
Net earnings (loss) per share - diluted	\$ 0.06	\$ (0.05)	\$ 0.09	\$ (0.08)

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

	December 31, 2022 (6 months)		December 31, 2021 (6 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
Granted during the period	475,000	0.53	-	-
Cancelled during the period	(970,000)	1.51	-	-
Outstanding at end of the period	2,748,500	1.02	3,342,500	1.24
Exercisable at end of the period	1,837,169	1.17	2,169,500	1.42

# ORBIT GARANT DRILLING INC.

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(Unaudited)

### 9. SHARE CAPITAL (continued)

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

Range of exercise price \$	Outstanding at December 31, 2022	Weighted average remaining life (years)	Weighted average exercise price \$	Exercisable at December 31, 2022	Weighted average exercise price \$
0.50 - 1.49	2,088,500	3.01	0.79	1,177,169	0.84
1.50 - 2.49	660,000	0.93	1.74	660,000	1.74
	2,748,500			1,837,169	

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

	December 31 2022 (3 months)	December 31 2021 (3 months)	December 31 2022 (6 months)	December 31 2021 (6 months)
	\$	\$	\$	\$
Expense related to share-based compensation	15	59	42	131

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### 10. INCOME TAXES

	December 31 2022 (3 months)	December 31 2021 (3 months)	December 31 2022 (6 months)	December 31 2021 (6 months)
	\$	\$	\$	\$
Earnings (loss) before income taxes	3,298	(1,361)	5,635	(1,903)
Statutory rates	26.50%	26.50%	26.50%	26.50%
Income taxes based on statutory rates	874	(361)	1,493	(505)
Increase (decrease) of income taxes due to the following:				
Non-deductible expenses	24	26	35	47
Non-deductible share-based compensation expense	4	16	11	35
Difference of income tax rates between territories	(9)	56	47	79
Withholdings taxes	-	78	-	131
Income tax assets unrecognized	(222)	773	518	1,622
Non-taxable portion of capital gain	38	2	(106)	(42)
Prior years adjustments	481	(206)	478	(189)
Other	(15)	(12)	(41)	(11)
Total income tax expense	1,175	372	2,435	1,167

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

Changes in non-cash operating working capital items:

	December 31 2022 (3 months)	December 31 2021 (3 months)	December 31 2022 (6 months)	December 31 2021 (6 months)
	\$	\$	\$	\$
Restricted cash	(871)	-	(871)	-
Trade and other receivables	5,623	8,128	5,305	7,184
Inventories	(979)	(518)	(3,742)	(4,324)
Prepaid expenses	130	2	(27)	101
Trade and other payables	(6,711)	(5,278)	(5,167)	272
	(2,808)	2,334	(4,502)	3,233



# ORBIT GARANT DRILLING INC.

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### 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 in 2023 which call for total lease payments of \$105 for the rental of offices and \$11 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 year amount to \$116 for 2023.

#### Guarantees

For the six-month period ended December 31, 2022, the Company issued some bank guarantees in favor of customers for a total amount of \$1,958 (for the six-month period ended December 31, 2021: \$2,022), maturing between January 2023 and June 2023. For the six-month periods ended December 31, 2022 and 2021, the Company has not made any payments in connection with these guarantees.

The restricted cash consist of term deposits held as collateral for some of those guarantees.

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### 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:

	December 31 2022 (3 months)	December 31 2021 (3 months)	December 31 2022 (6 months)	December 31 2021 (6 months)
Revenues	\$ -	\$ 2	\$ 13	\$ 2
Expenses	36	33	74	71

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

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

#### Transactions with associate parties

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

	December 31 2022 (3 months)	December 31 2021 (3 months)	December 31 2022 (6 months)	December 31 2021 (6 months)
Revenues	\$ 9,171	\$ 5,633	\$ 18,152	\$ 12,633

As at December 31, 2022, trade and other receivables included an amount receivable of \$1,872 from one of the Company's associates (June 30, 2022: \$4,322).

As at December 31, 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.

# ORBIT GARANT DRILLING INC.

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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 :

	December 31 2022 (3 months)	December 31 2021 (3 months)	December 31 2022 (6 months)	December 31 2021 (6 months)
	\$	\$	\$	\$
Salaries and fees	281	259	537	506
Share-based compensation	12	23	24	50
	293	282	561	556

### 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.

**ORBIT GARANT DRILLING INC.**  
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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:

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

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

As at December 31, 2022, the investments are measured at fair value and are classified as a Level 1 financial instrument as the fair value is determined using quoted prices in the active markets.

As at December 31, 2022	Carrying value	Fair value	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	52	52			
Restricted cash	871	871			
Trade and other receivables	34,773	34,773			
<b>Financial assets measured at fair value</b>					
Investments	125	125	125	-	-
<b>Financial liabilities measured at amortized cost</b>					
Trade and other payables	31,034	31,034			
Factoring Liability	1,888	1,888			
Long-term debt	34,937	34,937			
<b>As at June 30, 2022</b>	<b>Carrying value</b>	<b>Fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	\$	\$	\$	\$	\$
<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			

There were no transfers of amounts between Level 1, Level 2 and Level 3 financial instruments for the three and six month period ended December 31, 2022.

# ORBIT GARANT DRILLING INC.

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### 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:

	December 31 2022 (3 months)	December 31 2021 (3 months)	December 31 2022 (6 months)	December 31 2021 (6 months)
Contract revenue	\$	\$	\$	\$
Canada	38,285	32,731	81,069	70,632
International <sup>(1)</sup>	13,336	13,151	23,790	25,820
	51,621	45,882	104,859	96,452
Earnings (loss) from operations				
Canada	5,385	2,340	10,685	5,648
International	(1,617)	(2,202)	(3,597)	(4,435)
	3,768	138	7,088	1,213
General and corporate expenses <sup>(2)</sup>	(351)	915	(114)	2,086
Finance costs	821	584	1,567	1,030
Income tax expense	1,175	372	2,435	1,167
	1,645	1,871	3,888	4,283
Net earnings (loss)	2,123	(1,733)	3,200	(3,070)

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

West African revenue:	4,532	4,049	7,909	9,180
Chilean revenue :	7,984	7,584	13,588	14,206

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

	December 31 2022 (3 months)	December 31 2021 (3 months)	December 31 2022 (6 months)	December 31 2021 (6 months)
Depreciation and amortization	\$	\$	\$	\$
Canada	1,712	1,603	3,366	3,190
International	858	935	1,667	1,802
Total depreciation and amortization included in earnings (loss) from operations	2,570	2,538	5,033	4,992
Unallocated and corporate assets	250	254	492	603
Total depreciation and amortization	2,820	2,792	5,525	5,595

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(Unaudited)

### 17. SEGMENTED INFORMATION (continued)

	As at December 31, 2022	As at June 30, 2022		
	\$	\$		
Identifiable assets				
Canada	91,460	92,099		
Chile	18,981	15,906		
West Africa	24,687	26,090		
International - Other	2,472	2,964		
	137,600	137,059		
Property, plant and equipment				
Canada	26,976	26,168		
Chile	5,915	5,296		
West Africa	8,755	9,785		
International - Other	139	154		
	41,785	41,403		
Right-of-use assets				
Canada	1,501	1,424		
Chile	65	83		
West Africa	763	819		
International - Other	42	62		
	2,371	2,388		
Intangible assets				
Canada	183	219		
Chile	55	85		
West Africa	13	16		
	251	320		
	December 31	December 31	December 31	December 31
	2022	2021	2022	2021
	(3 months)	(3 months)	(6 months)	(6 months)
	\$	\$	\$	\$
Non-current assets acquisitions				
Canada	1,589	916	4,364	2,777
International	129	1,161	576	3,473
Unallocated and corporate assets	177	-	194	56
	1,895	2,077	5,134	6,306