



**Unaudited Interim Condensed Consolidated
Financial Statements**

First Quarter Fiscal 2024

(For the three-month periods ended September 30, 2023 and 2022)

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

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

For the three-month periods ended September 30, 2023 and 2022

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

(Unaudited)

	Notes	September 30 2023 (3 months) \$	September 30 2022 (3 months) \$
Contract revenue	17	44,317	53,237
Cost of contract revenue	3	40,169	47,002
Gross profit		4,148	6,235
Expenses			
General and administrative expenses		3,961	3,899
Foreign exchange gain		(4)	(747)
Finance costs		854	746
	3	4,811	3,898
(Loss) earnings before income taxes		(663)	2,337
Income tax expense (recovery)	10		
Current		34	1,261
Deferred		(263)	(1)
		(229)	1,260
Net (loss) earnings		(434)	1,077
Net (loss) earnings per share	9		
Basic		(0.01)	0.03
Diluted		(0.01)	0.03

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

For the three-month periods ended September 30, 2023 and 2022

(in thousands of Canadian dollars)

(Unaudited)

	September 30 2023 (3 months)	September 30 2022 (3 months)
	\$	\$
Net (loss) earnings	(434)	1,077
Other comprehensive loss		
Cumulative translation adjustments	(493)	(506)
Other comprehensive loss, net of income tax of \$(3) (September 30, 2022: \$69)	(493)	(506)
Comprehensive (loss) earnings	(927)	571

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

For the three-month periods ended September 30, 2023 and 2022

(in thousands of Canadian dollars)

(Unaudited)

Three-month period ended September 30, 2023					Total
	Share capital	Equity-settled reserve	Retained earnings	Accumulated other comprehensive loss	Shareholders' equity
	\$	\$	\$	\$	\$
	(Note 9)				
Balance as at July 1, 2023	59,204	981	5,786	(4,327)	61,644
Total comprehensive loss					
Net loss	-	-	(434)	-	(434)
Other comprehensive loss					
Cumulative translation adjustments	-	-	-	(493)	(493)
Other comprehensive loss	-	-	-	(493)	(493)
Transactions with shareholders, recorded directly in equity					
Share-based compensation (Note 9)	-	26	-	-	26
Total transactions with shareholders	-	26	-	-	26
Balance as at September 30, 2023	59,204	1,007	5,352	(4,820)	60,743

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 loss					
Cumulative translation adjustments	-	-	-	(506)	(506)
Other comprehensive loss	-	-	-	(506)	(506)
Transactions with shareholders, recorded directly in equity					
Share-based compensation (Note 9)	-	26	-	-	26
Total transactions with shareholders	-	26	-	-	26
Balance as at September 30, 2022	59,204	1,650	6,806	(4,558)	63,102

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

As at September 30, 2023 and June 30, 2023

(in thousands of Canadian dollars)

(Unaudited)

	Notes	September 30 2023	June 30 2023
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		1,483	2,181
Trade and other receivables		32,362	30,538
Inventories		50,744	47,674
Income taxes receivable		594	580
Prepaid expenses		846	1,017
		86,029	81,990
Non-current assets			
Investments	4	239	320
Property, plant and equipment	5	41,314	41,156
Right-of-use assets		2,364	1,925
Intangible assets		257	296
Deferred tax assets		1,742	1,876
Total assets		131,945	127,563
LIABILITIES			
Current liabilities			
Trade and other payables		31,257	27,621
Income taxes payable		33	1
Factoring liability		440	1,449
Current portion of long-term debt	6	1,617	1,994
Current portion of lease liabilities	7	873	528
		34,220	31,593
Non-current liabilities			
Deferred tax liabilities		1,009	1,291
Long-term debt	6	34,760	32,344
Lease liabilities	7	1,213	691
		71,202	65,919
EQUITY			
Share capital	9	59,204	59,204
Equity-settled reserve		1,007	981
Retained earnings		5,352	5,786
Accumulated other comprehensive loss		(4,820)	(4,327)
Equity attributable to shareholders		60,743	61,644
Total liabilities and equity		131,945	127,563

Contingencies and commitments (notes 12 and 13)

APPROVED BY THE BOARD

 Pierre Alexandre, Director

 Nicole Veilleux, Director

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

For the three-month periods ended September 30, 2023 and 2022

(in thousands of Canadian dollars)

(Unaudited)

	Notes	September 30 2023 (3 months) \$	September 30 2022 (3 months) \$
OPERATING ACTIVITIES			
(Loss) earnings before income taxes		(663)	2,337
Items not affecting cash			
Depreciation of property, plant and equipment		2,610	2,537
Depreciation of right-of-use assets		150	121
Amortization of intangible assets		64	47
(Gain) loss on disposal of property, plant and equipment	5	(69)	55
Share-based compensation	9	26	26
Finance costs		854	746
Net change in fair value of investments	4	81	35
		3,053	5,904
Changes in non-cash operating working capital items	11	(1,122)	(1,692)
Income taxes paid		(4)	(10)
Finance costs paid		(821)	(731)
		1,106	3,471
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	5	(2,612)	(2,982)
Proceeds from disposal of property, plant and equipment	5	136	211
Acquisition of intangible assets		(26)	(12)
		(2,502)	(2,783)
FINANCING ACTIVITIES			
Proceeds from factoring		4,815	1,741
Repayment on factoring		(5,654)	(2,232)
Proceeds from long-term debt		22,100	35,431
Repayment of long-term debt		(19,993)	(34,592)
Repayment of lease liabilities		(280)	(220)
		988	128
Effect of exchange rate changes on cash and cash equivalents		(290)	(113)
(Decrease) increase in cash		(698)	703
Cash and cash equivalents, beginning of the period		2,181	1,018
Cash and cash equivalents, end of the period		1,483	1,721

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, 2023 and 2022

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

(Unaudited)

1. DESCRIPTION OF BUSINESS

Orbit Garant Drilling Inc. (the "Company"), incorporated 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%

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 3 to the Company's annual audited consolidated financial statements for the year ended June 30, 2023 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 4 in the Company's annual audited consolidated financial statements for the year ended June 30, 2023. They remained unchanged for the three-month period ended September 30, 2023.

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 2023 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 13, 2023.

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three-month periods ended September 30, 2023 and 2022

(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 2023 (3 months)	September 30 2022 (3 months)
	\$	\$
Cost of contract revenue	2,567	2,464
General and administrative expenses	257	241
Total depreciation and amortization	2,824	2,705

Principal expenses by nature

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

	September 30 2023 (3 months)	September 30 2022 (3 months)
	\$	\$
Depreciation and amortization	2,824	2,705
Employee benefits expense	22,400	25,863
Cost of inventories	10,337	13,222
Interest on long-term debt	765	671
Interest on lease liabilities	29	32
Factoring charges and other interest	60	42
Other expenses	8,565	8,365
Total cost of contract revenue, general and administrative expenses, foreign exchange gain and finance costs	44,980	50,900
Cost of contract revenue	40,169	47,002
General and administrative expenses, foreign exchange gain and finance costs	4,811	3,898
Total cost of contract revenue, general and administrative expenses, foreign exchange gain and finance costs	44,980	50,900

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three-month periods ended September 30, 2023 and 2022

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

(Unaudited)

4. INVESTMENTS

	Three-month period ended September 30, 2023	Year ended June 30, 2023
	\$	\$
Investments in public companies, beginning of the year	320	146
Conversion of trade receivables	-	485
Change in fair value of investments measured at fair value through profit or loss	(81)	(311)
Investments in public companies, end of the period	239	320

5. PROPERTY, PLANT AND EQUIPMENT

	September 30 2023 (3 months)	September 30 2022 (3 months)
	\$	\$
Acquisition of property, plant and equipment	2,612	2,982
Proceeds from disposal of property, plant and equipment	(136)	(211)
(Gain) loss on disposal of property, plant and equipment	(69)	55

The (gain) loss 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, 2023 and 2022

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

(Unaudited)

6. LONG-TERM DEBT

	September 30 2023	June 30 2023
	\$	\$
Revolving credit facility of US\$2,000 (June 30, 2023: US\$2,000) authorized for a maximum amount of \$6,760 (US\$5,000), bearing interest at base rate plus 0.25%, effective rate as at September 30, 2023 of 9.25% (June 30, 2023: interest at base rate plus 0.25%, effective rate of 9.00%), 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)	2,704	2,648
Revolving credit facility authorized for a maximum amount of \$30,000, bearing interest at prime rate plus 1.50%, effective rate as at September 30, 2023 of 8.70% (June 30, 2023: interest at prime rate plus 1.50%, effective rate of 8.45%), 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)}	22,083	19,454
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 ^{(c) (e)}	8,160	8,212
Loan of US\$870 (June 30, 2023: US\$1,160), bearing interest at prime rate plus 2.75%, effective rate as at September 30, 2023 of 11.25% (June 30, 2023: bearing interest at prime rate plus 2.75%, effective rate of 11.00%), payable in monthly instalments of \$131 (US\$97) (June 30, 2023 : \$128 (US\$97)), maturing in July 2024, secured by a third rank hypothec on the universality of all present and future assets	1,176	1,536
Loan of CLF 41 (June 30, 2023: CLF 42), bearing interest at rates of 3.30%, payable in monthly instalments of \$22 (CLF 0.43), maturing in February 2028, secured by a land and building. ^(f)	2,254	2,488
	36,377	34,338
Current portion	(1,617)	(1,994)
	34,760	32,344

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three-month periods ended September 30, 2023 and 2022

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

(Unaudited)

6. LONG-TERM DEBT (continued)

- (a) The Revolving credit facility 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) banker's acceptance rate plus 1.50% to 4.75%.
- (b) As at September 30, 2023, an unamortized amount of \$117 (\$146 as at June 30, 2023), 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) As at September 30, 2023, an unamortized amount of \$119 (\$121 as at June 30, 2023), 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 September 9, 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 \$30,000 along with a revolving credit facility in the amount of US\$5,000, that will expire November 2, 2024. On November 2, 2023, the Company entered into a fifth amended and restated credit agreement with National Bank of Canada in respect of the Credit Facility. The Credit Facility consists of a revolving credit facility in the amount of \$30,000 along with a revolving credit facility in the amount of US\$5,000, that will expire November 2, 2026. In addition, the Company's obligations under the US\$5,000 revolving credit facility are guaranteed by EDC.
- (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 interest rate was reduced by 0.20% and the monthly instalments was reduced by \$1 in November 2023, following the Company's compliance with certain financial covenants. 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) As at September 30, 2023, an unamortized amount of \$29 (\$34 as at June 30, 2023), 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, 2023, the Company was compliant with its financial covenants (June 30, 2023: the Company was compliant with its financial covenants).

As at September 30, 2023, the prime rate in Canada was 7.20% for Canadian loans (6.95% as at June 30, 2023), the prime rate in United States was 8.50% and the base rate in the United States was 9.00% for US loans (8.25% and 8.75%, respectively as at June 30, 2023).

As at September 30, 2023, principal payments required in the next years are as follows:

	\$
Within one year	1,617
Later than one year and no later than five years	28,065
Later than five years	6,960
	<u>36,642</u>

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

As at September 30, 2023	Total	Within one year	Later than one but no later than five years	Later than five years
\$000s	\$	\$	\$	\$
CAN	30,479	230	23,289	6,960
US (US\$2,870)	3,880	1,176	2,704	-
Chilian UF (CLF 41)	2,283	211	2,072	-
	<u>36,642</u>	<u>1,617</u>	<u>28,065</u>	<u>6,960</u>

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three-month periods ended September 30, 2023 and 2022

(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, 2023 and 2022 is as follows:

	September 30 2023	September 30 2022
	\$	\$
Lease liabilities recognized, beginning of period	1,219	2,066
Additions	1,150	260
Finance costs	29	30
Payment of lease liabilities, including related finance costs	(309)	(250)
Variable lease payment adjustment	-	3
Foreign exchange differences	(3)	-
	2,086	2,109
Current portion	873	760
Balance, end of period	1,213	1,349

Lease payments required in the next years are as follows:

	September 30 2023
	\$
Within one year	990
Later than one year and no later than five years	1,334
	2,324
Less: discounting impact	(238)
Present value of lease payments	2,086

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three-month periods ended September 30, 2023 and 2022

(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 cash equivalents in its definition of capital.

The Company's capital structure is as follows:

	September 30 2023	June 30 2023
	\$	\$
Long-term debt	36,377	34,338
Lease liabilities	2,086	1,219
Factoring liability	440	1,449
Share capital	59,204	59,204
Equity-settled reserve	1,007	981
Retained earnings	5,352	5,786
Accumulated other comprehensive loss	(4,820)	(4,327)
Cash and cash equivalents	(1,483)	(2,181)
	98,163	96,469

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, 2023, as mentioned in Note 6, the Company complied with its covenants (June 30, 2023: 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, 2023		Year ended June 30, 2023	
Common shares	Number of shares	\$	Number of shares	\$
Balance, beginning of the period	37,372,756	59,204	37,372,756	59,204
Shares issued:	-	-	-	-
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, 2023 and 2022

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

(Unaudited)

9. SHARE CAPITAL (continued)

Net (loss) earnings per share

Diluted net earnings per common share was calculated based on net (loss) earnings divided by the average number of common shares outstanding using the treasury shares method. For the numbers in the three-month period ended September 30, 2023, stock options are not included in the computation of diluted net loss per share as their inclusion would be anti-dilutive.

	September 30 2023 (3 months)	September 30 2022 (3 months)
Net (loss) earnings per share - basic		
Net (loss) earnings attributable to common shareholders	\$ (434)	\$ 1,077
Weighted average basic number of common shares outstanding	37,372,756	37,372,756
Net (loss) earnings per share - basic	\$ (0.01)	\$ 0.03

	September 30 2023 (3 months)	September 30 2022 (3 months)
Net (loss) earnings per share - diluted		
Net (loss) earnings attributable to common shareholders	\$ (434)	\$ 1,077
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	37,372,756	37,379,085
Net (loss) earnings per share - diluted	\$ (0.01)	\$ 0.03

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

	September 30, 2023 (3 months)		September 30, 2022 (3 months)	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding at the beginning of the period	1,960,000	0.95	3,342,500	1.24
Cancelled during the period	-	-	-	-
Outstanding at end of the period	1,960,000	0.95	3,342,500	1.24
Exercisable at end of the period	1,202,005	1.13	2,256,502	1.40

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three-month periods ended September 30, 2023 and 2022

(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, 2023:

Range of exercise price \$	Outstanding at September 30, 2023	Weighted average remaining life (years)	Weighted average exercise price \$	Exercisable at September 30, 2023	Weighted average exercise price \$
0.50 - 1.49	1,600,000	2.71	0.77	842,005	0.87
1.50 - 2.49	360,000	0.18	1.74	360,000	1.74
	1,960,000			1,202,005	

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 2023 (3 months)	September 30 2022 (3 months)
	\$	\$
Expense related to share-based compensation	26	26

10. INCOME TAXES

	September 30 2023 (3 months)	September 30 2022 (3 months)
	\$	\$
(Loss) earnings before income taxes	(663)	2,337
Statutory rates	26.50%	26.50%
Income taxes based on statutory rates	(176)	619
Increase (decrease) of income taxes due to the following:		
Non-deductible expenses	29	12
Non-deductible share-based compensation expense	7	7
Difference of income tax rates between territories	(4)	50
Withholding taxes	4	-
Income tax assets unrecognized	60	745
Recognition of previously unrecognized deductible temporary differences and tax losses of prior periods	(107)	-
Non-taxable portion of capital gain	(43)	(144)
Prior years adjustments	-	(3)
Other	1	(26)
Total income tax (recovery) expense	(229)	1,260

ORBIT GARANT DRILLING INC.

Notes to Interim Condensed Consolidated Financial Statements

For the three-month periods ended September 30, 2023 and 2022

(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 2023 (3 months)	September 30 2022 (3 months)
	\$	\$
Trade and other receivables	(2,232)	(318)
Inventories	(3,530)	(2,763)
Prepaid expenses	168	(157)
Trade and other payables	4,472	1,546
	(1,122)	(1,692)

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 2024 and 2025 which call for total lease payments of \$138 for the rental of offices. None of the lease agreements contain renewal or purchase options or escalation clauses or any restrictions. The lease payments under these lease agreements for the next three years amount to \$113 for 2024 and \$25 for 2025.

Guarantees

For the three-month period ended September 30, 2023, the Company issued some bank guarantees in favor of customers for a total amount of \$1,657 (June 30, 2023: \$762), maturing between December 2023 and November 2024. For the three-month periods ended September 30, 2023 and 2022, 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 2023 (3 months)	September 30 2022 (3 months)
Revenues	\$ 28	\$ 13
Expenses	7	38

As at September 30, 2023, an amount of \$7 was receivable resulting from these transactions (June 30, 2023: \$0).

In addition, for the three-month period ended September 30, 2023, 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 2023 (3 months)	September 30 2022 (3 months)
Revenues	\$ 8,285	\$ 8,981

As at September 30, 2023, trade and other receivables included an amount receivable of \$2,410 from one of the Company's associates (June 30, 2023: \$3,612).

As at September 30, 2023, the investment in an associate totaled \$0 in the interim condensed consolidated statements of financial position (June 30, 2023: \$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 2023 (3 months)	September 30 2022 (3 months)
	\$	\$
Salaries and fees	201	256
Share-based compensation	19	12
	<u>220</u>	<u>268</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 the long-term debt is determined using an evaluation of the estimated market value using a discount rate, adjusted for the Company's own credit risk, that reflects current market conditions.

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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, 2023, 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, 2023	Carrying value	Fair value	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$
Financial assets measured at amortized cost					
Cash and cash equivalents	1,483	1,483			
Trade and other receivables	32,362	32,362			
Financial assets measured at fair value					
Investments	239	239	239	-	-
Financial liabilities measured at amortized cost					
Trade and other payables	31,257	31,257			
Factoring Liability	440	440			
Long-term debt	36,377	35,436	-	35,436	-
As at June 30, 2023	Carrying value	Fair value	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$
Financial assets measured at amortized cost					
Cash and cash equivalents	2,181	2,181			
Trade and other receivables	30,538	30,538			
Financial assets measured at fair value					
Investments	320	320	320	-	-
Financial liabilities measured at amortized cost					
Trade and other payables	27,621	27,621			
Factoring Liability	1,449	1,449			
Long-term debt	34,338	33,494	-	33,494	-

There were no transfers of amounts between Level 1, Level 2 and Level 3 financial instruments for the three-month period ended September 30, 2023.

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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:

	September 30 2023 (3 months)	September 30 2022 (3 months)
Contract revenue	\$	\$
Canada	32,954	42,782
International ⁽¹⁾	11,363	10,455
	44,317	53,237
Earnings (loss) from operations		
Canada	1,388	5,300
International	(185)	(1,980)
	1,203	3,320
General and corporate expenses ⁽²⁾	1,012	237
Finance costs	854	746
Income tax expense	(229)	1,260
	1,637	2,243
Net (loss) earnings	(434)	1,077
⁽¹⁾ The International operating segment included		
Chilean revenue	7,998	5,604
West African revenue	3,347	3,377

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

	September 30 2023 (3 months)	September 30 2022 (3 months)
Depreciation and amortization	\$	\$
Canada	1,807	1,654
International	761	810
Total depreciation and amortization included in earnings from operations	2,568	2,464
Unallocated and corporate assets	256	241
Total depreciation and amortization	2,824	2,705

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17. SEGMENTED INFORMATION (continued)

	As at September 30, 2023	As at June 30, 2023
	\$	\$
Identifiable assets		
Canada	97,345	89,456
Chile	19,065	20,476
West Africa	12,732	14,461
International - Other	2,803	3,170
	<u>131,945</u>	<u>127,563</u>
Property, plant and equipment		
Canada	28,240	27,386
Chile	5,941	6,297
West Africa	6,988	7,308
International - Other	145	165
	<u>41,314</u>	<u>41,156</u>
Right-of-use assets		
Canada	2,323	1,850
Chile	28	41
West Africa	-	11
International - Other	13	23
	<u>2,364</u>	<u>1,925</u>
Intangible assets		
Canada	228	256
Chile	21	30
West Africa	8	10
	<u>257</u>	<u>296</u>
	September 30 2023 (3 months)	September 30 2022 (3 months)
	\$	\$
Non-current assets acquisitions		
Canada	3,184	2,775
International	459	447
Unallocated and corporate assets	145	17
	<u>3,788</u>	<u>3,239</u>