FORAGE ORBIT GARANT DRILLING

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## SECOND QUARTER FISCAL 2024

## (Three and six-month periods ended December 31, 2023)

February 7, 2024

# MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis ("MD&A") is a review of the results of operations, liquidity and capital resources of Orbit Garant Drilling Inc. This discussion contains forward-looking statements. Please see ''Forward-Looking Statements'' for a discussion of the risks, uncertainties and assumptions relating to these statements.

This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and six-month periods ended December 31, 2023 as compared with the corresponding period of the previous year and also with the audited consolidated financial statements and MD&A contained in the Company's annual report for the fiscal year ended June 30, 2023 ("Fiscal 2023") and the notes thereto, which are available on the SEDAR+ website at www.sedarplus.ca.

The Company's second quarter of Fiscal 2024 ("Q2 2024") unaudited interim condensed consolidated financial statements and the accompanying notes were prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts in this MD&A are in Canadian dollars, except where otherwise noted.

In this MD&A, references to the "Company" or to "Orbit Garant" shall mean, as the context may require, either Orbit Garant Drilling Inc. or Orbit Garant Drilling Inc. together with its wholly-owned subsidiaries.

This MD&A is dated February 7, 2024. Disclosure contained in this document is current to that date unless otherwise stated.

Percentage calculations are based on numbers in the Financial Statements and may not correspond to rounded figures presented in this MD&A.

Additional information relating to the Company, including the Company's Annual Information Form for the most recently completed fiscal year, can be found on SEDAR+ at www.sedarplus.ca.

## FORWARD-LOOKING STATEMENTS

Securities laws encourage companies to disclose forward-looking information in order for investors to have a better understanding of a company's future prospects and make informed investment decisions.

This MD&A contains forward-looking statements about the Company's objectives, strategies, financial condition, results of operations, cash flows and businesses. These statements are "forward-looking" because they are based on current expectations, estimates and assumptions about: the markets in which the Company operates; the world economic climate as it relates to the mining industry; the Canadian economic environment; and the Company's ability to attract and retain customers and to manage its assets and operating costs. They are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Risks and uncertainties that could cause actual results, performance, or achievements to differ materially include the world economic climate as it relates to the mining industry, the Canadian economic environment, the Company's ability to attract and retain customers and manage its assets and operating costs; the political situation in certain jurisdictions, and the operating environment in which the Company operates.

Actual results could be materially different from expectations if known or unknown risks affect the business, or if estimates or assumptions turn out to be inaccurate. The Company does not guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place reliance on these forward-looking statements.

The Company disclaims any intention and assumes no obligation to update any forward-looking statement, even if new information becomes available, as a result of future events or for any other reasons except in accordance with applicable securities laws. Certain risk factors that could cause the Company's actual results to materially differ from its current expectations are discussed in this MD&A. For a more complete discussion of the risk factors that could cause the Company's actual results to materially differ from its current expectations, please refer to the Company's Annual Information Form dated September 19, 2023, accessible via www.sedarplus.ca.

## Q2 2024 SUMMARY

- Revenue totalled $43.4 million, a decrease of 16.0% compared to $51.6 million in the second quarter of Fiscal 2023 ("Q2 2023")
- Gross margin was 6.4% compared to 13.1% in Q2 2023
- Adjusted gross margin (1) was 12.2% compared to 18.1% in Q2 2023
- EBITDA (1) totalled $1.0 million compared to $6.9 million in Q2 2023
- Net loss was $1.7 million compared to net earnings of $2.1 million in Q2 2023

(1) See "Reconciliation of non-IFRS financial measures."

## CORPORATE OVERVIEW

Orbit Garant (TSX: OGD) is one of the largest Canadian-based mineral drilling companies, with 208 drill rigs and approximately 1,300 employees. Headquartered in Val-d'Or, Québec, the Company provides both underground and surface drilling services in Canada and internationally to major, intermediate and junior mining companies, through each stage of mineral exploration, mine development and production. Orbit Garant also provides geotechnical and water drilling services to mining or mineral exploration companies, engineering and environmental consultant firms, and government agencies. The majority of Orbit Garant's business activity is conducted in Canada. The Company has regional offices and facilities in Sudbury, Ontario and Moncton, New Brunswick, to support its Canadian business activities. Orbit Garant has worked on international projects in the United States, Mexico, Guyana, Chile, Argentina, Kazakhstan, Burkina Faso, Ghana and Guinea. The Company has established international operating subsidiaries in: Winnemucca (Nevada), U.S.A.; Santiago, Chile; and Georgetown, Guyana to support its international operations. Following the decision to cease its activities in West Africa, the Company is currently in the process of exiting Burkina Faso and Guinea.

Orbit Garant has a comprehensive infrastructure with vertically integrated manufacturing capabilities. The Company manufactures custom drill rigs and ancillary equipment for its own use and also manufactures conventional drill rigs for third-party customers from its facilities in Val-d'Or, Québec. Orbit Garant focuses on "specialized drilling", which refers to drilling projects that are in remote locations or, in the opinion of Management, because of the scope, complexity or technical nature of the work, cannot be undertaken by smaller conventional drilling companies.

The Company has two operating segments: Canada (including surface drilling, underground drilling and manufacturing Canada), and International (including surface drilling and underground drilling).

For the six-month period ended December 31, 2023

- Specialized drilling services, which typically generate a higher gross margin than conventional drilling services, accounted for approximately 41% of the Company's total revenue, compared to 40% in the same six-month period of last year.

- Approximately 64% of the Company's revenue was generated by gold related operations, and approximately 36% were generated by base metal related and other operations.

- Surface and underground drilling services accounted for approximately 62% and 37%, respectively, of the Company's revenue. Orbit Garant's manufacturing activities accounted for the remaining 1% of revenue.

- Approximately 90% of Orbit Garant's revenue was generated from major and intermediate mining company projects, compared to 69% in the first six months of Fiscal 2023. Orbit Garant's drilling contracts with major and intermediate customers are typically from one to five years in length.

- Approximately 71% of Orbit Garant's revenue was generated from domestic drilling projects, and approximately 29% was generated from international drilling contracts, compared to 77% and 23%, respectively, in the first six months of Fiscal 2023.

## BUSINESS STRATEGY

Orbit Garant's goal is to be the leading Canadian-based mineral drilling company, through the pursuit of both domestic and international market opportunities, and through the provision of best-in-class underground and surface drilling services, equipment, and personnel for all stages of the mining and minerals business, including exploration, development and production. The Company employs the following business strategies:

- Focus primarily on major and well-financed intermediate mining and exploration companies operating in Canada and other stable jurisdictions;
- Provide conventional, specialized and geotechnical drilling services;
- Manufacture customized drills and equipment to fit the needs of customers;
- Maintain a commitment to technological innovation and advanced drilling technologies, such as the Company's implementation of computerized monitoring and control technologies;
- Provide training for the Company's personnel to continuously improve labour efficiency and the availability of a skilled labour force;
- Maintain a high level of health and safety standards in the workplace and promote protection of the environment;
- Establish and maintain long-term relationships with customers;
- Cross-sell drilling services to existing customers;
- Maintain a sound balance sheet and a judicious deployment of capital; and
- Evaluate strategic acquisition opportunities to enhance value for the Company's stakeholders.

## INDUSTRY OVERVIEW

Orbit Garant provides drilling services, in Canada and internationally, to the minerals industry through all stages of mine development, from exploration through production. Client mining companies consist of major (or senior), intermediate, and junior companies (which generally focus on exploration only). Mining companies' budgets for external drilling services, such as those offered by Orbit Garant, are typically determined by ferrous (iron) and non-ferrous (precious and base) metals prices, and the availability of capital to finance exploration (particularly in the case of juniors) and development programs, and/or ongoing mining operations.

### Gold

Gold prices are determined by the balance between supply (primarily mine production) and the many sources of demand including global demand for gold jewelry, investment demand, and to a much lesser extent, demand from industrial applications.

At the time of this report, the spot price of gold was approximately US$2,036 per ounce, representing an increase of approximately 9% compared to a year ago and an increase of approximately 59% from its trailing five-year price low in May 2019. During December 2023, the spot price of gold traded at a record high above US$2,100 per ounce.

### Base Metals

Aluminum, copper, lead, nickel and zinc are the primary base metals. Base metals' prices generally reflect global economic conditions, as these metals are used primarily in infrastructure, industrial and manufacturing applications. Demand from emerging markets, particularly China and India, has a major influence on base metals markets. As emerging markets advance their economic development, their infrastructure and industrial bases expand. Further, residents typically become more affluent, driving increased demand for manufactured goods.

The spot prices of the primary base metals are lower compared to 12 months ago. The spot price for copper, the metal widely considered to be the most sensitive to macroeconomic activity, was approximately US$4.05 per pound a year ago and at the time of this report was approximately US$3.74 per pound, a decrease of approximately 8%. The spot price of copper, which reached a low of approximately US$2.10 per pound in March 2020, is currently above the mid-point of its trailing five-year price range. The spot price of lead is also above the mid-point of its trailing five-year price range, while the spot prices of aluminum, nickel and zinc are below the mid-points of their respective trailing five-year price ranges.

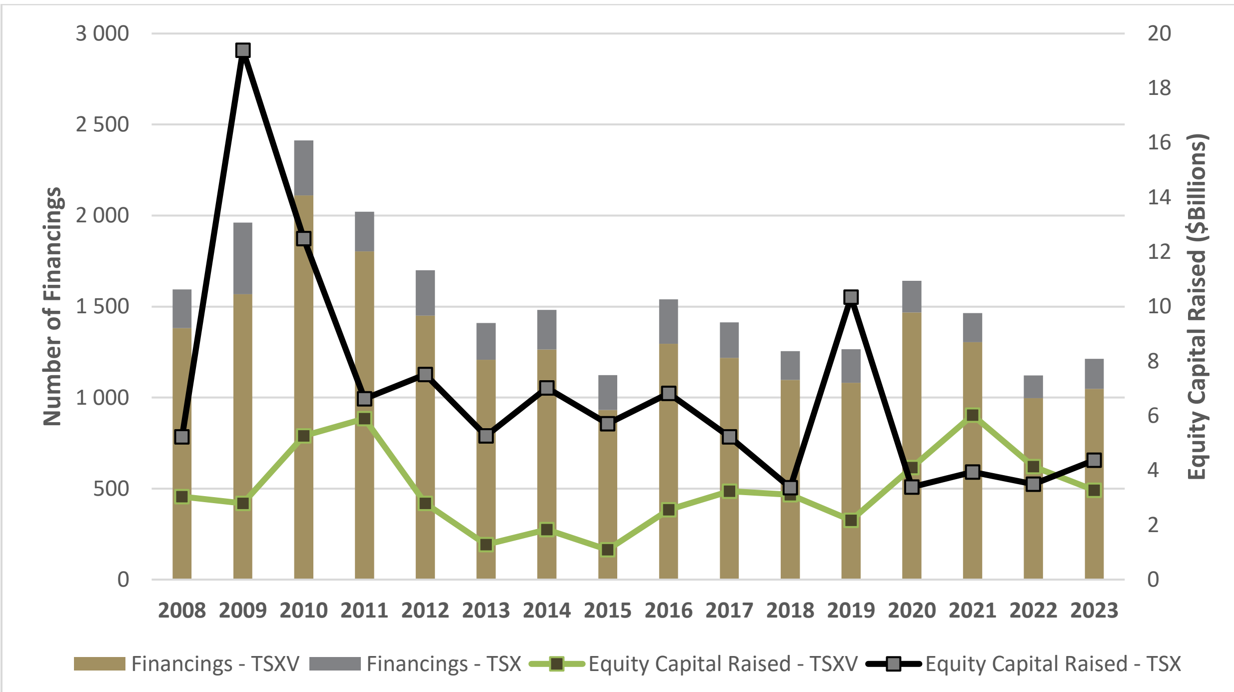
### Iron Ore

Iron ore prices are determined by the global demand for steel, as more than 95% of mined iron ore is used to make steel. As both the world's largest consumer and producer of steel, China is widely regarded as having the most influence on global iron ore market prices. Continuing urbanization of the world's population, particularly in China and India, the world's most populous countries, is fueling global steel consumption, and long-term demand is expected to continue to trend higher. In the short term, the spot price of iron ore is principally affected by seasonal effects, short-term mismatches between supply and demand, and other factors. At the time of this report, the spot price of iron ore was approximately US$129 per tonne, compared to approximately US$124 per tonne one year ago. In May 2021, the spot price of iron ore reached a record high of approximately US$233 per tonne.

## Market Participants

Over the last 12 months, gold prices have been favourable for mining companies seeking to raise capital to fund exploration and/or development activities. Prices for the primary base metals have been mixed over the last 12 months and have underperformed gold. However, the price of copper, the flagship base metal, has remained favourable for mining companies seeking to raise capital. Mining financing activity in 2023 was slightly higher compared to 2022 levels, but below 2021 levels. The reduction in financing activity compared to 2021 primarily reflects lower financing activity by junior mining companies, which are facing more limited access to capital.

**TSX / TSX-V Mining Sector Financings (2008 to 2023)**




Mining companies listed on the Toronto Stock Exchange ("TSX") and the TSX-Venture Exchange ("TSX-V") completed 1,213 financings and raised $7.6 billion of equity capital during 2023, according to TMX Group. By comparison, they completed 1,121 financings and raised $7.6 billion of equity capital during 2022. In 2021, they completed 1,464 financings and raised $10.0 billion of equity capital.

According to a report from S&P Global Market Intelligence (November 2023), global exploration budgets for nonferrous metals were an estimated $12.8 billion in 2023, a decline of approximately 3% from 2022 levels. Despite the year-over-year decline, the estimated total for 2023 represents the second highest annual level since 2013. S&P noted that interest rate hikes by central banks have restrained the flow of capital to junior exploration companies, which rely heavily on capital raising to finance exploration activity. For 2024, S&P expects nonferrous exploration budgets to be similar to 2023 levels. However, if the macroeconomic environment does not improve and financing conditions remain difficult, S&P noted that a "modest" year-over-year decline in nonferrous exploration budgets of approximately 5% is the "most likely" scenario.

## OVERALL PERFORMANCE

### Results of operations for the second quarter ended December 31, 2023

| SECOND QUARTERS ENDED DECEMBER 31 * ($millions) | Fiscal 2024 2nd Quarter | Fiscal 2023 2nd Quarter | 2024 vs. 2023 Variance |
|---|---|---|---|
| Revenue * | **43.4** | 51.6 | **(8.2)** |
| Gross profit * | **2.8** | 6.8 | **(4.0)** |
| Gross margin (%) | **6.4** | 13.1 | **(6.7)** |
| Adjusted gross margin (%) (1) | **12.2** | 18.1 | **(5.9)** |
| Net (loss) earnings* | **(1.7)** | 2.1 | **(3.8)** |
| Net (loss) earnings per common share - Basic ($) | **(0.05)** | 0.06 | **(0.11)** |
| - Diluted ($) | **(0.05)** | 0.06 | **(0.11)** |
| EBITDA (2) | **1.0** | 6.9 | **(5.9)** |

(1) Reflects gross margin, excluding depreciation expenses. See "Reconciliation of non-IFRS financial measures."
(2) EBITDA = Earnings before interest, taxes, depreciation and amortization. See "Reconciliation of non-IFRS financial measures."

As at December 31, 2023, Orbit Garant had 208 drill rigs compared to 212 drill rigs at the end of Fiscal 2023. During Q2 2024, three conventional drill rigs were dismantled. Orbit Garant currently has 44 drill rigs outfitted with computerized monitoring control technology.

During Fiscal 2023, Orbit Garant made the decision to exit Burkina Faso due to the significant additional investment required to generate an acceptable return on investment, as well as the increased security concerns within the country. The Company completed its final drilling program in Burkina Faso during Q2 2024. As a result of this restructuring initiative, Orbit Garant recognized a write-down of inventories based on: i) the fair value less cost of disposal for a portion of inventories, and ii) the estimated sales less cost to complete for inventory expected to be consumed until the end of the contract. Fair value was determined using industry knowledge. The restructuring resulted in a one-time, non-cash write-down of $4.2 million to reduce inventory to net realizable value, recognized in the Company's fourth quarter of Fiscal 2023.

Orbit Garant subsequently made the decision to not renew its drilling contract in Guinea, which was completed at the end of Q2 2024, as the Company determined that it was no longer financially viable to maintain drilling activities in West Africa considering its exit from Burkina Faso.

Going forward, Orbit Garant expects to primarily focus on its operations in Canada and Chile. The Company expects that its exit from West Africa will have a positive impact on its future gross margins.

## ANALYSIS OF Q2 2024 COMPARED TO Q2 2023

### Contract Revenue

Revenue for Q2 2024 totalled $43.4 million, a decrease of 16.0% compared to $51.6 million in Q2 2023, reflecting a reduction of drilling activity on certain projects in Canada.

Canada revenue totalled $29.6 million in Q2 2024, a decrease of 22.7% compared to $38.3 million in Q2 2023. The decline is primarily attributable to customer decisions to temporarily suspend or reduce drilling activity on certain projects during the first six months of Fiscal 2024. These projects started to gradually resume in August 2023 and all projects were fully resumed by January 2024. Orbit Garant elected to keep its drilling personnel employed given the competitive workforce market and in anticipation of the gradual resumption of these drilling projects.

International revenue totalled $13.8 million in Q2 2024, an increase of 3.0% compared to $13.3 million in Q2 2023, reflecting increased drilling activity in Chile, partially offset by reduced drilling activity in Guyana and Burkina Faso.

### Gross Profit and Margins (see Reconciliation of non-IFRS financial measures)

Gross profit for Q2 2024 was $2.8 million, a decrease of 59.2% compared to $6.8 million in Q2 2023. Gross margin for Q2 2024 was 6.4% compared to 13.1% in Q2 2023. Depreciation expenses totalling $2.5 million are included in the cost of contract revenue for Q2 2024, compared to $2.6 million in Q2 2023. Adjusted gross margin, excluding depreciation expenses, was 12.2% in Q2 2024, compared to adjusted gross margin of 18.1% in Q2 2023. The decline in gross profit, gross margin, adjusted gross profit and adjusted gross margin primarily reflects the reduction of drilling revenue in Canada, as previously discussed, but without a commensurate decline in labour costs, as the Company elected to keep its drilling personnel employed in anticipation of the gradual resumption of these drilling projects. Orbit Garant also incurred additional ramp-up costs related to these temporarily suspended or reduced projects and has now fully resumed operations. The decline was partially offset by increased drilling activity in Chile.

### General and Administrative Expenses

General and Administrative ("G&A") expenses were $4.1 million, or 9.5% of revenue, in Q2 2024, compared to $3.9 million, or 7.5% of revenue, in Q2 2023.

### Operating Results (Loss)

Loss from operations for Q2 2024 was $0.5 million compared to earnings from operations of $3.8 million in Q2 2023.

Drilling Canada's operating loss totalled $0.4 million in Q2 2024, compared to operating earnings of $5.4 million in Q2 2023. Drilling Canada's operating loss in Q2 2024 reflects customer decisions to temporarily suspend or reduce drilling activities on certain projects, retaining key personnel on suspended or reduced drilling projects, and additional costs incurred to ramp projects back up.

Drilling International's operating loss totalled $0.1 million in Q2 2024, compared to an operating loss of $1.6 million in Q2 2023. The reduced operating loss in Q2 2024 was primarily attributable to increased drilling activity in Chile, partially offset by decreased drilling activity in Burkina Faso and Guyana.

### Foreign Exchange Loss (Gain)

Foreign exchange loss was $0.4 million in Q2 2024, compared to a foreign exchange gain of $1.2 million in Q2 2023.

### EBITDA (see Reconciliation of non-IFRS financial measures)

EBITDA totalled $1.0 million in Q2 2024, compared to $6.9 million in Q2 2023. The decrease reflects the reduction of drilling activity in Canada due to project suspensions or reductions, retaining key personnel on suspended or reduced drilling projects, additional costs incurred to ramp projects back up and the $1.6 million negative variance in foreign exchange during the quarter, partially offset by increased drilling activity in Chile.

### Financial Expenses

Interest costs related to long-term debt, lease liabilities and bank charges were $0.9 million in Q2 2024, compared to $0.8 million in Q2 2023, reflecting general interest rate increases.

### Income Tax Recovery (Expense)

Income tax recovery was $1.0 million in Q2 2024, compared to a tax expense of $1.2 million in Q2 2023. The effective tax rate for Q2 2024 was positively impacted by the recognition of previously unrecognized deductible temporary differences and tax losses of prior periods.

### Net (Loss) Earnings

Net loss for Q2 2024 was $1.7 million, or $0.05 per share, compared to net earnings of $2.1 million, or $0.06 per share, in Q2 2023. The Company's net loss in Q2 2024 reflects the reduction of drilling activity in Canada due to project suspensions or reductions, retaining key personnel on suspended or reduced drilling projects, additional costs incurred to ramp projects back up and a $1.6 million negative variance in foreign exchange, partially offset by a $1.0 million income tax recovery in the quarter, and increased drilling activity in Chile.

## SIX MONTHS ENDED DECEMBER 31, 2023, COMPARED TO SIX MONTHS ENDED DECEMBER 31, 2022

| SIX MONTHS ENDED DECEMBER 31<br>* ($millions) | Fiscal 2024<br>Six Months | Fiscal 2023<br>Six Months | 2024 vs. 2023<br>Variance |
|---|---|---|---|
| **Revenue *** | **87.7** | 104.9 | **(17.2)** |
| **Gross profit *** | **6.9** | 13.0 | **(6.1)** |
| **Gross margin (%)** | **7.9** | 12.4 | **(4.5)** |
| **Adjusted gross margin (%) (1)** | **13.7** | 17.2 | **(3.5)** |
| **Net (loss) earnings *** | **(2.1)** | 3.2 | **(5.3)** |
| **Net (loss) earnings per common share - Basic ($)** | **(0.06)** | 0.09 | **(0.15)** |
| **- Diluted ($)** | **(0.06)** | 0.09 | **(0.15)** |
| **EBITDA * (2)** | **4.0** | 12.7 | **(8.7)** |

(1) Reflects gross margin, excluding depreciation expenses. See "Reconciliation of non-IFRS financial measures"
(2) EBITDA = Earnings before interest, taxes, depreciation and amortization. See "Reconciliation of non-IFRS financial measures"

**Contract Revenue**

Revenue totalled $87.7 million for the six-month period ended December 31, 2023, a decrease of 16.4% compared to $104.9 million during the comparable period in Fiscal 2023, reflecting a reduction of drilling activity on certain projects in Canada.

Canada revenue totalled $62.6 million for the first six months of Fiscal 2024, a decrease of $18.5 million compared to $81.1 million for the same period last fiscal year. The decline is primarily attributable to a reduction of drilling activity in Canada due to forest fires during Q1 2024, as well as customer decisions to temporarily suspend or reduce drilling activity on certain projects throughout the first half of Fiscal 2024. All of the Company's surface and underground drilling projects in Québec and one surface drilling project in Ontario were suspended for various periods from May 29 to July 26, 2023, due to forest fires. These drilling project suspensions resulted in a revenue reduction of approximately $2.0 million in Q1 2024. The Company started ramping these projects back up in early July and by July 26, operations on all drilling projects that were suspended due to forest fires had fully resumed. The Company gradually resumed operations on its other drilling projects that were temporarily suspended or reduced due to customer decisions and by January 2024, all of these projects had fully resumed. Orbit Garant elected to keep drilling personnel employed given the competitive workforce market and in anticipation of the gradual resumption of these drilling projects.

International revenue totalled $25.1 million for the six months ended December 31, 2023, an increase of $1.3 million, or 5.5%, compared to $23.8 million in the comparable period last fiscal year. The increase was primarily attributable to increased drilling activity in Chile, partially offset by decreased drilling activity in Burkina Faso and Guyana**.**

**Gross Profit and Margins (Adjusted gross profit and margins - see Reconciliation of non-IFRS financial measures)**

Gross profit for the first six months of Fiscal 2024 was $6.9 million, compared to $13.0 million in the comparable period of Fiscal 2023. Gross margin was 7.9% compared to 12.4% for the same period a year ago. Depreciation expenses totalling $5.1 million are included in cost of contract revenue for the first half of Fiscal 2024, compared to $5.0 million for the same period a year ago. Adjusted gross margin, excluding depreciation expenses, was 13.7% in in the first six months of Fiscal 2024, compared to adjusted gross margin of 17.2% in the comparable period a year ago. The decline in gross profit, gross margin, adjusted gross profit and adjusted gross margin reflects the reduction of drilling activity in Canada, as discussed above, retaining key personnel on suspended or reduced drilling projects and the additional costs incurred to ramp drilling projects back up, partially offset by increased drilling activity in Chile.

**General and Administrative Expenses**

G&A expenses were $8.1 million for the six-month period ended December 31, 2023, compared to $7.8 million in the same period a year ago. As a percentage of revenue, G&A expenses were 9.2% of revenue in the first six months of Fiscal 2024 compared to 7.4% of revenue for the first half of Fiscal 2023.

**Operating Results (Loss)**

Earnings from operations for the six-month period ended December 31, 2023, were $0.7 million, compared to operating earnings of $7.1 million for the first half of Fiscal 2023.

Drilling Canada's operating earnings totalled $1.0 million, compared to operating earnings of $10.7 million in the first half of Fiscal 2023. Drilling Canada's operating earnings in the first half of Fiscal 2024 were negatively impacted by the reduction of drilling activity in Canada, retaining key personnel on suspended or reduced drilling projects and related project ramp-up costs, as previously discussed.

Drilling International's operating loss was $0.3 million, compared to an operating loss of $3.6 million in the first half of Fiscal 2023. The year-over-year reduction in operating loss was attributable to increased drilling activity in Chile, partially offset by reduced drilling activity in Burkina Faso and Guyana.

**Foreign Exchange Loss (Gain)**

Foreign exchange loss was $0.4 million for the six-month period ended December 31, 2023, compared to a foreign exchange gain of $2.0 million in the first half of Fiscal 2023.

**EBITDA (see Reconciliation of non-IFRS financial measures)**

EBITDA totalled $4.0 million for the six-month period ended December 31, 2023, compared to $12.7 million in the comparable period last fiscal year. The decrease reflects the reduction of drilling activity in Canada due to forest fires and project suspensions or reductions, as discussed above, retaining key personnel on suspended or reduced drilling projects, additional costs incurred to ramp projects back up, and a $2.4 million negative variance in foreign exchange, partially offset by increased drilling activity in Chile.

**Financial Expenses**

Interest costs related to long-term debt, lease liabilities and bank charges were $1.7 million for the first half of Fiscal 2024, compared to $1.6 million during the comparable period last year, reflecting general interest rate increases.

**Income Tax (Recovery) Expense**

Income tax recovery was $1.2 million in the six-month period ended December 31, 2023, compared to $2.4 million for the comparable period in Fiscal 2023. The effective tax rate for the six-month period ended December 31, 2023, results from the recognition of previously unrecognized deductible temporary differences and tax losses of prior periods.

**Net (Loss) Earnings**

Net loss for the six-month period ended December 31, 2023, was $2.1 million, or $0.06 per share, compared to net earnings of $3.2 million, or $0.09 per share, for the first half of Fiscal 2023. The negative variance reflects the reduction of drilling activity in Canada, as discussed above, retaining key personnel on suspended or reduced drilling projects, additional costs incurred to ramp projects back up, and a $2.4 million negative variance in foreign exchange, partially offset by a $1.2 million income tax recovery in the first half of Fiscal 2024, and increased drilling activity in Chile.

## SUMMARY OF QUARTERLY RESULTS

| * ($millions) | | Fiscal 2024 | | Fiscal 2023 | | | | Fiscal 2022 | |
|---|---|---|---|---|---|---|---|---|---|
| | | **Dec. 31** | **Sept. 30** | **June 30** | **Mar. 31** | **Dec. 31** | **Sept. 30** | **June 30** | **Mar. 31** |
| Contract revenue * | | **43.4** | 44.3 | 46.8 | 49.3 | 51.6 | 53.3 | 53.8 | 45.2 |
| Gross profit * | | **2.8** | 4.1 | 0.7 | 4.6 | 6.8 | 6.2 | 6.9 | 0.3 |
| Gross margin % | | **6.4** | 9.4 | 1.4 | 9.4 | 13.1 | 11.7 | 12.8 | 0.7 |
| Net (loss) earnings * | | **(1.7)** | (0.4) | (4.1) | 0.2 | 2.1 | 1.1 | 0.5 | (4.1) |
| Net (loss) earnings per common share ($) | - Basic | **(0.05)** | (0.01) | (0.11) | 0.01 | 0.05 | 0.03 | 0.01 | (0.10) |
| | - Diluted | **(0.05)** | (0.01) | (0.11) | 0.01 | 0.05 | 0.03 | 0.01 | (0.10) |

## LIQUIDITY AND CAPITAL RESOURCES

### Operating Activities

Cash flow from operations (before changes in non-cash operating working capital items, finance costs and income taxes paid), was $1.0 million in Q2 2024, compared to $6.6 million in Q2 2023.

The change in non-cash operating working capital items was an inflow of $3.0 million, compared to an outflow of $2.8 million in Q2 2023.The change in non-cash operating working capital in Q2 2024 was primarily attributable to:

- $3.1 million related to a decrease in inventory, and
- $2.9 million related to a decrease in accounts receivable, partially offset by
- $3.0 million related to a decrease in accounts payable.

### Investing Activities

Cash used in investing activities totalled $2.4 million in Q2 2024, compared to $1.3 million in Q2 2023. During Q2 2024, $2.6 million was used for the acquisition of property, plant and equipment and intangible assets, partially offset by a cash inflow of $0.2 million on disposal of property plant and equipment and investments. During Q2 2023, $1.8 million was used for the acquisition of property, plant and equipment and intangible assets, partially offset by a cash inflow of $0.5 million on disposal of property, plant and equipment.

### Financing Activities

During Q2 2024, the Company repaid a net amount of $0.9 million on its long-term debt and lease and factoring liabilities, compared to $2.9 million in Q2 2023.

Orbit Garant's primary sources of liquidity are cash flows from operations and borrowings under a credit facility (the "Credit Facility") with National Bank of Canada Inc., in its capacity as agent ("National Bank"). On November 2, 2023, the Company entered into a fifth amended and restated credit agreement with National Bank in respect of the Credit Facility (the "Credit Agreement"). The Credit Facility consists of a $30.0 million revolving credit facility, and a

US$5.0 million revolving credit facility guaranteed by Export Development Canada ("EDC"). The Credit Facility expires on November 2, 2026.

The Company repaid a net amount of $0.3 million in Q2 2024 on its Credit Facility, compared to a repayment of $2.9 million in Q2 2023. The Company's long-term debt under the Credit Facility, including US$2.0 million ($2.6 million) drawn from the US$5.0 million revolving credit facility and the current portion, was $24.6 million as at December 31, 2023, compared to $22.2 million as at June 30, 2023.

As at December 31, 2023, the Company's working capital totalled $48.8 million, compared to $50.4 million as at June 30, 2023. The Company's working capital requirements are primarily related to the funding of inventory and the financing of accounts receivable.

The Company believes that it will be able to generate sufficient cash flow to meet its current and future working capital expenditures and repayment of its debt obligations. The Company's principal capital expenditures are related to the acquisition of drill rigs and related drilling equipment.

**Sources of Financing**

As at December 31, 2023, the Company complied with all covenants in the Credit Agreement, in the loan agreement with EDC (the "EDC Loan") and in the loan agreement with the BDC (the "BDC Loan Agreement"). The Company expects that availability under the Credit Facility will continue to provide it with sufficient liquidity to fund its working capital and capital asset acquisition requirements.

Orbit Garant's primary sources of liquidity are cash flows from operations and borrowings under its Credit Facility. The Credit Agreement matures on November 2, 2026. As at December 31, 2023, the Company had drawn $24.6 million ($22.2 million as at June 30, 2023) under the Credit Facility.

Availability under the Credit Facility is subject to a borrowing base that is determined by the value of the Company's eligible inventory and accounts receivable. Except as noted below for the BDC Loan agreement, all of Orbit Garant's assets are pledged in favor of National Bank as security for the Company's obligations under the Credit Agreement. In addition, the Company's obligations under the US$5.0 million revolving credit facility are guaranteed by EDC.

The Credit Agreement contains covenants that limit the ability of the Company and its subsidiaries to undertake certain actions without prior approval of the National Bank, including: i) mergers, liquidations, dissolutions and changes of ownership; ii) the incurrence of additional indebtedness; iii) encumbering the Company's assets; iv) guarantees, loans, investments and acquisitions that may be made by the Company; v) investing in or entering into derivative instruments, paying dividends and/or making other capital distributions to related parties; vi) capital expenditures exceeding certain limits; and vii) certain asset sales. The Credit Agreement also contains a number of financial covenants that the Company must comply with.

On December 20, 2018, Orbit Garant entered into an additional loan agreement with EDC for a term loan in the principal amount of up to US$5.15 million for the purposes of financing the acquisition of certain assets of Projet Production International BF S.A. that was completed on October 11, 2018 (the "EDC Loan"). Orbit Garant is required to repay this loan in 57 consecutive monthly installments commencing May 2019, and maturing July 2024. The Company's obligations under the EDC Loan, are secured by a junior hypothec over all of Orbit Garant's assets. Orbit Garant's long-term debt under the EDC Loan including the current portion amounted to $0.8 million as at December 31, 2023

($1.5 million as at June 30, 2023).

In February 2021, OG Chile, entered into a financing agreement with Banco Scotiabank for a total of approximately $2.6 million in order to purchase the office building it had rented for several years. This agreement bears interest at a rate of 3.3% per annum, has a term of 84 months and is guaranteed by OG Chile's real estate assets. Orbit Garant's long-term debt under the financing agreement from Banco Scotiabank including the current portion amounted to $2.2 million as at December 31, 2023 ($2.5 million as at June 30, 2023).

On September 9, 2022, Orbit Garant entered into the BDC Loan Agreement, which provides for a term loan in the principal amount of $8.47 million. This loan bears interest at a fixed rate of 6.50% per year, has a 20-year term and is repayable by way of 240 consecutive monthly payments from November 2022 until October 2042. The fixed interest rate was reduced by 0.20% in November 2023, following the Company's compliance with certain financial covenants. Orbit Garant's obligations under the BDC Loan Agreement are: (a) secured by a first ranking immovable hypothec on the building serving as the Company's head office in Val-d'Or, Quebec (the "Property"); and (b) guaranteed on a solidary (joint and several) basis by certain of the Company's subsidiaries. Orbit Garant's long-term debt under the BDC Loan Agreement including the current portion amounted to $8.2 million as at December 31, 2023 ($8.3 million as at June 30, 2023).

Orbit Garant believes that it will continue to meet its payment terms under its credit facilities and have sufficient resources to carry on its business operations.

## OUTSTANDING SECURITIES AS AT FEBRUARY 7, 2024

| | |
|---|---|
| Number of common shares | 37,372,756 |
| Number of options | 2,115,000 |
| Fully diluted | 39,487,756 |

On November 30, 2023, the Company issued 515,000 options at an exercise price of $0.56 per share and from July 1, 2023, to February 7, 2024, 360,000 options have been cancelled.

## RELATED PARTY TRANSACTIONS

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

During the three and six-month periods ended December 31, 2023, and December 31, 2022, the Company entered into the following transactions with its related company and with persons related to directors:

| ($000s) | **3 months ended December 31, 2023** | **3 months ended December 31, 2022** | **6 months ended December 31, 2023** | **6 months ended December 31, 2022** |
|---|---|---|---|---|
| Revenue | **44** | - | **72** | 13 |
| Expenses | **2** | 36 | **9** | 74 |

As at December 31, 2023, a negligible amount was a receivable resulting from these transactions (a negligible amount as at June 30, 2023).

In addition, for the three and six-month periods ended December 31, 2023, repayments of a lease liability for a negligible amount were made to Dynamitage Castonguay Ltd. (for the three and six-month periods ended December 31, 2022: a negligible amount).

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

**Key management personnel and directors' transactions**

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 the family are those family members who may be expected to influence or be influenced by that individual in their dealings with the Company.

Compensation paid to key management personnel and directors is as follows:

| ($000s) | 3 months ended December 31, 2023 | 3 months ended December 31, 2022 | 6 months ended December 31, 2023 | 6 months ended December 31, 2022 |
|---|---|---|---|---|
| Salaries and fees | **211** | 281 | **412** | 537 |
| Share-based compensation | **23** | 12 | **42** | 24 |
| Total | **234** | 293 | **454** | 561 |

## BASIS OF PREPRATION

### Basis of presentation

The Company's unaudited 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 unaudited 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 and six-month periods ended December 31, 2023.

These unaudited 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 unaudited 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 unaudited interim condensed consolidated financial statements were approved for issue by the Board of Directors of Orbit Garant Drilling Inc. on February 7, 2024.

### Principles of consolidation

The Company's unaudited 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.

## RECONCILIATION OF NON - IFRS FINANCIAL MEASURES

Financial data has been prepared in conformity with IFRS. However, certain measures used in this discussion and analysis do not have any standardized meaning under IFRS and could be calculated differently by other companies. The Company believes that certain non-IFRS financial measures, when presented in conjunction with comparable IFRS financial measures, are useful to investors and other readers because the information is an appropriate measure to evaluate the Company's operating performance. Internally, the Company uses this non-IFRS financial information as an indicator of business performance. These measures are provided for information purposes, in addition to, and not as a substitute for, measures of financial performance prepared in accordance with IFRS.

### EBITDA and EBITDA Margin

EBITDA and EBITDA margin: Net (loss) earnings before interest, taxes, depreciation and amortization.

Management believes that EBITDA is an important measure when analyzing its operating profitability, as it removes the impact of financing costs, certain non-cash items and income taxes. As a result, Management considers it a useful and comparable benchmark for evaluating the Company's performance, as companies rarely have the same capital and financing structure.

## Reconciliation of EBITDA and EBITDA Margin

| (unaudited) (in millions of dollars) | 3 months ended December 31, 2023 | 3 months ended December 31, 2022 | 6 months ended December 31, 2023 | 6 months ended December 31, 2022 |
|---|---|---|---|---|
| Net (loss) earnings for the period | **(1.7)** | 2.1 | **(2.1)** | 3.2 |
| Add: | | | | |
| Finance costs | **0.9** | 0.8 | **1.7** | 1.6 |
| Income tax (recovery) expense | **(1.0)** | 1.2 | **(1.2)** | 2.4 |
| Depreciation and amortization | **2.8** | 2.8 | **5.6** | 5.5 |
| EBITDA | **1.0** | 6.9 | **4.0** | 12.7 |
| Contract Revenue | **43.4** | 51.6 | **87.7** | 104.9 |
| EBITDA margin (%) (1) | **2.3** | 13.4 | **4.6** | 12.1 |

(1) EBITDA, divided by contract revenue x 100

### Adjusted Gross Profit and Adjusted Gross Margin

Adjusted gross profit and margin: Contract revenue, less operating costs. Operating expenses comprise material and service expenses, personnel expenses, other operating expenses, excluding depreciation.

Although adjusted gross profit and adjusted gross margin are not recognized financial measures defined by IFRS, Management considers them to be important measures as they represent the Company's core profitability, without the impact of depreciation expense. As a result, Management believes they provide a useful and comparable benchmark for evaluating the Company's performance.

### Reconciliation of Adjusted Gross Profit and Margin

| (unaudited) (in millions of dollars) | 3 months ended December 31, 2023 | 3 months ended December 31, 2022 | 6 months ended December 31, 2023 | 6 months ended December 31, 2022 |
|---|---|---|---|---|
| Contract revenue | **43.4** | 51.6 | **87.7** | 104.9 |
| Cost of contract revenue (including depreciation) | **40.6** | 44.8 | **80.8** | 91.8 |
| Less depreciation | **(2.5)** | (2.6) | **(5.1)** | (5.0) |
| Direct costs | **38.1** | 42.2 | **75.7** | 86.8 |
| Adjusted gross profit | **5.3** | 9.4 | **12.0** | 18.1 |
| Adjusted gross margin (%) (1) | **12.2** | 18.1 | **13.7** | 17.2 |

(1) Adjusted gross profit, divided by contract revenue X 100

## RISK FACTORS

The following are certain factors relating to the Company's business and the industry within which it operates. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and should be read in conjunction with, the detailed information appearing elsewhere in this report and in the Company's Annual Information Form dated September 19, 2023. These risks and uncertainties are not the only ones relevant to the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems immaterial, may also impair the operations of the Company. If any such risks actually occur, the business, financial condition, liquidity and results of operations of the Company could be affected materially and adversely.

### Pandemics, Force Majeure and Natural Disasters

The Company may be affected by pandemics, such as the COVID-19 coronavirus, force majeure events and natural disasters. The likelihood and magnitude of such events are inherently difficult to predict, and their significance is highly uncertain and may depend on factors beyond the Company and its control. A prolonged economic disruption, following such an event or disaster, including the COVID-19 outbreak, may have a material and adverse impact on revenues, cash flow and profitability of the Company, including, without limitation, by compromising employee health and productivity in the workplace, disruption of supply chains and the business of the Company's customers.

### Risk Related to Structure and Common Shares

#### *Equity Market Risks*

There is a risk associated with any investment in shares. The market price of securities such as the Common Shares of the Company are affected by numerous factors including, but not limited to, general market conditions, actual or anticipated fluctuations in the Company's results of operations, changes in estimates of future results of operations by the Company or securities analysts, risks identified in this section and other factors. In addition, the financial markets have experienced significant price and volume fluctuations that have sometimes been unrelated to the operating performance of the issuers or the industries in which they operate. Consequently, the trading price of the Common Shares may fluctuate.

#### *Influence of Existing Shareholders*

As of February 7, 2024, Pierre Alexandre, President, and Chief Executive Officer, holds or controls, directly or indirectly, approximately 24% of Orbit Garant's outstanding Common Shares. As a result, this shareholder could influence Orbit Garant's strategic direction and policies, including any merger, consolidation or sale of all or substantially all of its assets, and the election and composition of Orbit Garant's Board of Directors. The foregoing ability to affect the control and direction of Orbit Garant could reduce its attractiveness as a target for potential takeover bids and business combinations, and correspondingly affect its share price.

#### *Future Sales of Common Shares by the Company's Existing Shareholders*

Certain shareholders, including Pierre Alexandre, hold or control significant blocks of shares of the Company. The decision of any of these shareholders to sell a substantial number of Common Shares in the public market could result in a material imbalance in demand for the Company's shares and therefore a decline in the market price of the Common

Shares. In addition, the perception among the public that such sales may occur could also result in a reduction in the market price of the Common Shares.

***Dilution***

Orbit Garant may raise additional funds in the future by issuing equity securities. Holders of Common Shares will have no pre-emptive rights in connection with such further issuances. Additional Common Shares may be issued by Orbit Garant in connection with the exercise of options granted. Such additional equity issuances could, depending on the price at which such securities are issued, substantially dilute the interests of the holders of Common Shares.

## OUTLOOK

Customer demand for mineral drilling services in Canada remains strong. However, this high level of demand has resulted in an industry shortage of experienced drillers, particularly for underground drilling projects, which has impeded Orbit Garant's productivity levels. Further, the shortage has resulted in increased wage costs for experienced drillers. Orbit Garant is addressing the shortage of experienced drillers in Canada through its driller training program, increased wages and its computerized drilling technology. The Company is not experiencing a shortage of experienced drillers in its international operations. Global inflation in costs for supplies and materials has also impacted the mineral drilling industry. To offset increased wage costs in Canada and the higher costs of supplies and materials globally, the Company was able to implement price increases on its drilling contracts during the first half of Fiscal 2023. However, customer pricing pressure has since limited the Company's ability to increase pricing.

Orbit Garant's drilling activity in Canada was reduced beginning in the fourth quarter of Fiscal 2023 due to customer decisions to temporarily suspend or reduce drilling activity on certain projects. As of January 2024, drilling activity on all of these projects was fully resumed.

Management believes that the long-term outlook for drilling in the gold industry is positive, as many mining companies are facing declining reserves. Accordingly, increased spending on exploration and mine development will be required for the industry to remain viable. The current strong price of gold supports exploration and development spending on gold projects. Orbit Garant is well positioned to benefit from increased drilling services demand in the gold sector as it derived approximately 64% of its revenue from gold related projects during the first half of Fiscal 2024.

S&P Global Market Intelligence forecasts that Canada is the only major gold-producing country in the world in which output is expected to increase significantly through 2024. Orbit Garant generated approximately 71% of its revenue from its Canadian operations in the first half of Fiscal 2024 and is well positioned to benefit from the positive outlook for the gold mining sector in Canada. An additional positive factor for mining companies operating in Canada is the current lower value of the Canadian dollar relative to the US dollar, as their expenses are typically in Canadian dollars and their revenues are denominated in US dollars. At the time of this report, the value of the Canadian dollar was approximately $0.74 US dollars.

The long-term market sentiment for copper is positive due to tight supply-demand fundamentals and its important role in the electrification of the global economy. Many industry analysts expect that declining global copper reserves may necessitate increased exploration and development spending for copper over the coming years. Orbit Garant is well positioned for increased spending on copper exploration and development projects due to its presence in Chile, which is the global leader in copper production.

Orbit Garant's international operations provide enhanced market, customer and commodity diversification, as well as increased access to higher-margin specialized drilling activity. The Company is currently working on projects in Chile and Guyana. Orbit Garant completed its final drilling contracts in Burkina Faso and Guinea during Q2 2024 and is currently in the process of exiting West Africa. Management is evaluating alternatives for the Company's equipment in West Africa, which could include sales to local companies and/or shipments to its operations in Canada and South America. Management expects that the exit from West Africa will have a positive impact on its future margins.

Management believes the Company's proprietary computerized monitoring and control drilling technology will increasingly be an important contributor in reducing both labour and consumable drilling costs, enhancing driller training and productivity rates, and improving safety. Orbit Garant currently has 44 drill rigs featuring its computerized monitoring and control technology, all of which are currently deployed on customer projects. These next generation drill rigs have demonstrated a significant increase in productivity rates compared to conventional drill rigs. Orbit Garant's customers have responded positively to this improved performance, which has led to new or renewed underground drilling contracts for longer terms.

During Q2 2024, Orbit Garant renewed a large, specialized drilling contract in Canada with a senior gold mining customer for a term of three years. The Company will continue to operate 15 to 20 surface and underground drill rigs on the customer's project sites over the term of the contract.

Looking ahead, Orbit Garant intends to primarily focus on its Canadian gold drilling operations, prioritizing longer-term, specialized drilling contracts with major and intermediate customers. The Company will selectively pursue international drilling opportunities when there is a high degree of cost and margin certainty. Orbit Garant will continue to focus on: disciplined management of its variable cost structure and cash, optimizing its drill rig utilization, increasing productivity rates, technology innovation, driller training, retaining key personnel, and maintaining strong health and safety standards. The Company's primary objective is to maximize profitability on a sustainable basis.

## DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The CEO and the CFO are responsible for designing internal controls over financial reporting ("ICFR") or causing them to be designed under their supervision. The Company's ICFR are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its preparation of financial statements for external purposes in accordance with IFRS.

As discussed above, the inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company, have been detected. Therefore, no matter how well designed, ICFR have inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

For the three and six-month periods ended December 31, 2023; there have been no significant changes to the ICFR and no change in the assessment of the effectiveness of the Company's ICFR. Accordingly, the CEO and CFO have concluded that the design and operation were effective at a reasonable level as at the end of the period covered by this report.