FORAGE ORBIT GARANT DRILLING

2019 ANNUAL REPORT

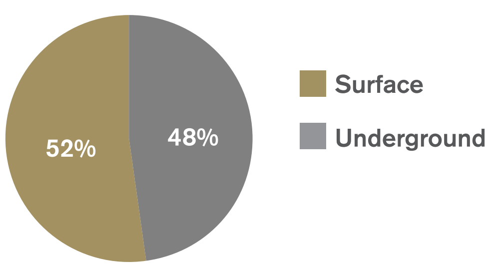
STRONG CANADIAN FOUNDATION | EXPANDING GLOBAL PRESENCE

PROFILE

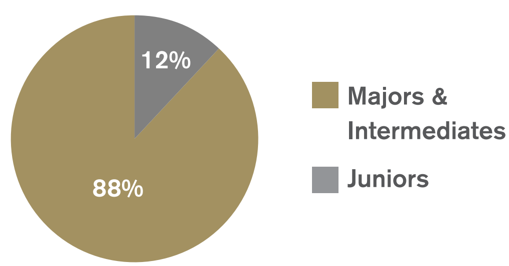
Headquartered in Val-d'Or, Quebec, Orbit Garant Drilling (TSX: OGD) is one of the largest Canadian-based mineral drilling companies, providing both underground and surface drilling services in Canada and internationally through its 235 drill rigs and more than 1,300 employees. Orbit Garant provides services to major, intermediate and junior mining companies, through each stage of mining exploration, development and production. The Company also provides geotechnical drilling services to mining or mineral exploration companies, engineering and environmental consultant firms, and government agencies.

MARKET POSITION (BY PERCENTAGE OF REVENUE[1])

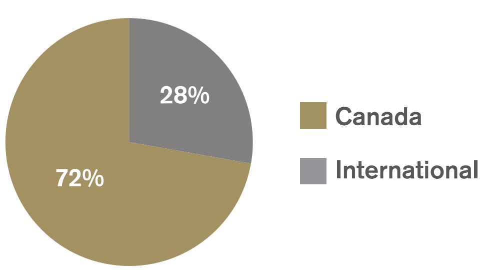
DRILLING ACTIVITY



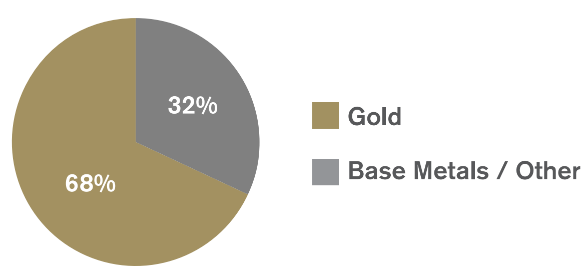
CUSTOMERS



REGIONS



RESOURCE EXPOSURE



1. For the year ended June 30, 2019

To our shareholders,

We faced a more challenging business environment in fiscal 2019 compared to fiscal 2018, as industry demand for drilling services in Canada, where we generate approximately three quarters of our revenue, was lower during the first three quarters of the year. As a result, our total metres drilled for the fiscal year declined to 1.43 million, from 1.54 million a year ago. In addition, we concluded a large, multi-year drilling contract in Chile at the beginning of our fourth quarter, and we generated lower revenue per metre drilled compared to fiscal 2018. These factors had a negative impact on our revenue and gross margins. Total revenue for fiscal 2019 was $152.8 million, compared to our record $173.1 million in revenue in fiscal 2018. While our fiscal 2019 revenue total is still the third highest total in Company history, reflecting our strong market position in Canada and expanded international operations, our gross margins and profitability were below expectations.

Looking ahead, our primary goal is to increase margins and profitability, and we believe that we are now well positioned to achieve this goal. To understand why, it is important to look back on the significant growth and diversification that we have undergone since fiscal 2015.

Four years ago, the mining industry was reaching the end of a prolonged downturn. As customer demand for drilling services began to rapidly increase, we responded by hiring and training drillers and support personnel in Canada to expand our operating platform. This enabled us to build market share during a highly active period for drilling activity in our home market.

At the same time, we also initiated an international expansion strategy, commencing with the establishment of new operating subsidiaries in Chile and Ghana. In fiscal 2016, we significantly advanced this program through the acquisition of Captagua Ingeniería S.A. in Chile, an established drilling company with more than 50 years of operating history. We acquired 17 drill rigs and skilled personnel in this transaction and increased our copper exposure, providing diversification from gold, and strengthened our platform for growth in the large South American market. We continued to advance our international expansion this past year by purchasing the drilling business of Projet Production International BF in Burkina Faso. The acquisition provided us with 13 surface drill rigs, support equipment, existing customer contracts, and approximately 100 employees, thereby strengthening our platform for growth in West Africa, one of the world's most prospective regions for gold exploration.

Our international expansion in Chile and West Africa has been a success and has met our strategic objectives. We have transformed Orbit Garant into a more global mineral drilling company with enhanced scale and diversification. Looking ahead, the acquisition methodology we employed in Chile, and subsequently West Africa, will be a template for future expansion plans when opportunities arise.

As our operations were expanding abroad with higher-margin, profitable contracts, Canada continued to be a challenge. We experienced lower productivity levels as our new drillers gained experience, which negatively impacted our margins.

With the strong recovery in demand for drilling services in Canada last year, and with a larger and more experienced drilling crew, we were confident entering fiscal 2019 that our margins would improve. Unfortunately, customer demand in Canada dropped sharply early in the year.

While we have faced growing pains and uneven market demand, the investments we have made in expanding our capacity and global presence have positioned us for greater long-term growth and profitability, particularly as industry demand increases. To this end, we are now seeing some positive signs.

Our revenue of $44.4 million in the fourth quarter of fiscal 2019 was just slightly below our record $44.5 million in the fourth quarter last year, reflecting the increased customer demand we are now seeing in the Canadian market. On the international front, we are currently working on projects in the United States, Argentina, Chile, Burkina Faso and Ghana. With drilling projects in five countries outside of Canada, this represents our most active period of international activity. We believe the increase in demand we are currently experiencing is supported by today's higher gold prices.

In late May 2019, the price of gold entered a sustained rally, surpassing US$1,500 per ounce in August for the first time in more than six years. At the time of this report, the spot price of gold was approximately

US$1,492 per ounce, representing an increase of approximately 25% from a year ago, and an increase of approximately 42% from gold's trailing five-year price low in December 2015. Gold mining companies can now generate significantly stronger operating margins than was possible over the last several years, and investor interest in these companies has strengthened. Accordingly, junior, intermediate and senior gold companies should experience improved access to capital in the months ahead, enabling them to deploy more capital to their exploration and development budgets.

More broadly, the gold mining industry is under pressure from declining reserves. Major discoveries have been scarce over the last decade, and S&P Global Market Intelligence projects that global gold production will begin to decline after 2022. While mineral exploration and development spending may be volatile in the short term, this industry will require significantly higher spending over the long term to remain viable.

With approximately 70% of our revenue generated from gold-related projects, and a strong presence in Canada and other leading gold producing jurisdictions, we are well positioned to benefit from an increase in long-term demand.

As we pursue further growth and improved profitability, our focus on innovation and leading-edge technology remains a priority for us and a competitive advantage in our industry. The foremost example of this is our computerized monitoring and control technology. We currently have 38 drill rigs outfitted with this technology, all of which are either deployed in the field or being mobilized for near-term deployment. These drills increase accuracy and productivity, have long-lasting rig components, and are ideal for training less experienced drillers, who can increase their productivity at a faster rate than on conventional drills.

With our expanded global operations and scale, solid balance sheet, expertise in both surface and underground drilling, vertically-integrated manufacturing capabilities, highly experienced leadership team, and commitment to innovation, we are well positioned to capitalize on the improving outlook for our industry and generate stronger margins and profitability for the benefit of our shareholders.

In closing, we extend our appreciation to all of our employees and their families for their ongoing commitment to the success of Orbit Garant. And to our shareholders, we thank you for your continued support.

Sincerely,

Paul Carmel
Chair

Eric Alexandre
President and Chief Executive Officer

MD&A and Consolidated Financial Statements

YEAR END AND FOURTH QUARTER FISCAL 2019

SEPTEMBER 18, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis ("MD&A") is a review of the results of operations, the liquidity and the 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 audited consolidated financial statements for the fiscal years ended June 30, 2019 ("Fiscal 2019") and June 30, 2018 ("Fiscal 2018") and the notes thereto which are available on the SEDAR website at WWW.sedar.com.

The Company's Fiscal 2019 audited 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 when 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 September 18, 2019. 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.sedar.com.

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.

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. Risks 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 18, 2019, accessible via www.sedar.com.

FISCAL 2019 SUMMARY

- Revenue of $152.8 million, compared to $173.1 million in Fiscal 2018
- Gross margin of 10.7%, compared to 12.4% in Fiscal 2018
- Adjusted gross margin(1) (excluding depreciation expense) of 16.4%, compared to 17.0% in Fiscal 2018
- EBITDA(1) of $8.3 million, compared to $14.7 million in Fiscal 2018
- Net loss was $3.5 million, compared to net earnings of $4.5 million in Fiscal 2018
- Metres drilled totalled 1,427,587, compared to 1,537,212 metres drilled in Fiscal 2018

(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 235 drill rigs and more than 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 currently 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, Liberia and Ghana. The Company has established international operating subsidiaries in: Winnemucca (Nevada), U.S.A., Santiago, Chile; Lima, Peru; Georgetown, Guyana; Ouagadougou, Burkina Faso; and Takoradi, Ghana, to support its international operations.

Orbit Garant has a comprehensive infrastructure that is vertically integrated with its Val-d'Or, Québec, based subsidiary, Soudure Royale, which manufactures drill rigs for the Company and third parties. Soudure Royale provides the Company with a competitive advantage in the provision of drilling services and equipment. 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.

For Fiscal 2019:

- Specialized drilling services, which typically generate a higher gross margin than conventional drilling services, accounted for approximately 55% of the Company's total revenue, compared to 60% in Fiscal 2018.
- Approximately 68% of the Company's revenues were generated by gold related operations, and approximately 32% were generated by base metal related and other operations.
- Surface and underground drilling services accounted for approximately 52% and 48%, respectively, of the Company's revenue.
- Approximately 88% of Orbit Garant's revenue was generated from major and intermediate mining company projects, compared to 81% in Fiscal 2018. Orbit Garant's drilling contracts with major and intermediate customers are typically from one to five years in length.
- Approximately 72% of Orbit Garant's revenue was generated from domestic drilling projects, and approximately 28% was generated from international drilling contracts.

BUSINESS COMBINATION

On October 11, 2018, Orbit Garant Drilling acquired the drilling business of Projet Production International BF S.A.,("PPI") based in Burkina Faso, for a total purchase price of $8.3 million (US$6.4 million) (the "Acquisition"). Through the Acquisition, Orbit Garant's wholly-owned subsidiary, Orbit Garant BF S.A.S., ("Orbit Garant BF") added 13 surface drills, related support equipment, and existing customer contracts in Burkina Faso. Orbit Garant BF also retained approximately 100 employees, including experienced drillers and support personnel, who are based in Orbit Garant BF's offices in Ouagadougou, Burkina Faso. The Acquisition significantly strengthens Orbit Garant's presence in Burkina Faso and the broader West African mineral drilling market, positioning the Company to pursue new growth opportunities.

The $8.3 million (US$6.4 million) purchase price was satisfied through $3.35 million (US$2.575 million) paid in cash on closing, a balance of sale of $3.35 million (US$2.575 million) to be paid 12 months after the closing date, and the issuance of Orbit Garant common shares valued at $1.6 million (US$1.25 million) (861,637 common shares at a price of $1.89 per share). The results of operations for PPI from the acquisition date are included in Orbit Garant's results of operations for the three and twelve-month periods ended June 30, 2019.

BUSINESS STRATEGY

Orbit Garant's goal is to be the leading Canadian-based mineral drilling company. This will be achieved 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 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 current 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;
- Expand the Company's base of operations in strategic regions, such as the Company's acquisition of, Orbit Garant Chile S.A. ("OG Chile") based in Santiago, Chile, in December 2015, and the acquisition of the drilling business of PPI in Ouagadougou, Burkina Faso in October 2018;
- 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.

The price of gold has increased significantly in 2019, trading at its highest levels since 2013. At the time of this report, the spot price of gold was approximately US$1,492 per ounce. That represents an increase of approximately 16% since the start of 2019, an increase of approximately 25% compared to 12 months ago, and an increase of approximately 42% from its trailing five-year price low in December 2015.

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.

Aluminum, copper, lead, nickel and zinc are the primary base metals. At the time of this report, the price performance of the primary base metals is mixed compared to 12 months ago. The spot prices of aluminum and copper are lower compared to 12 months ago, the spot price of zinc is similar to its level 12 months ago, and the spot prices of lead and nickel are higher. The spot price for copper, the metal widely considered to be the most sensitive to macroeconomic activity, was approximately US$2.75 per pound a year ago and at the time of this report was approximately US$2.62 per pound, a decrease of 5%. The spot prices of copper, lead, nickel and zinc are currently near the mid-points of their respective trailing five-year price ranges, while the spot price of aluminum is currently near the lower end of its trailing five-year price range.

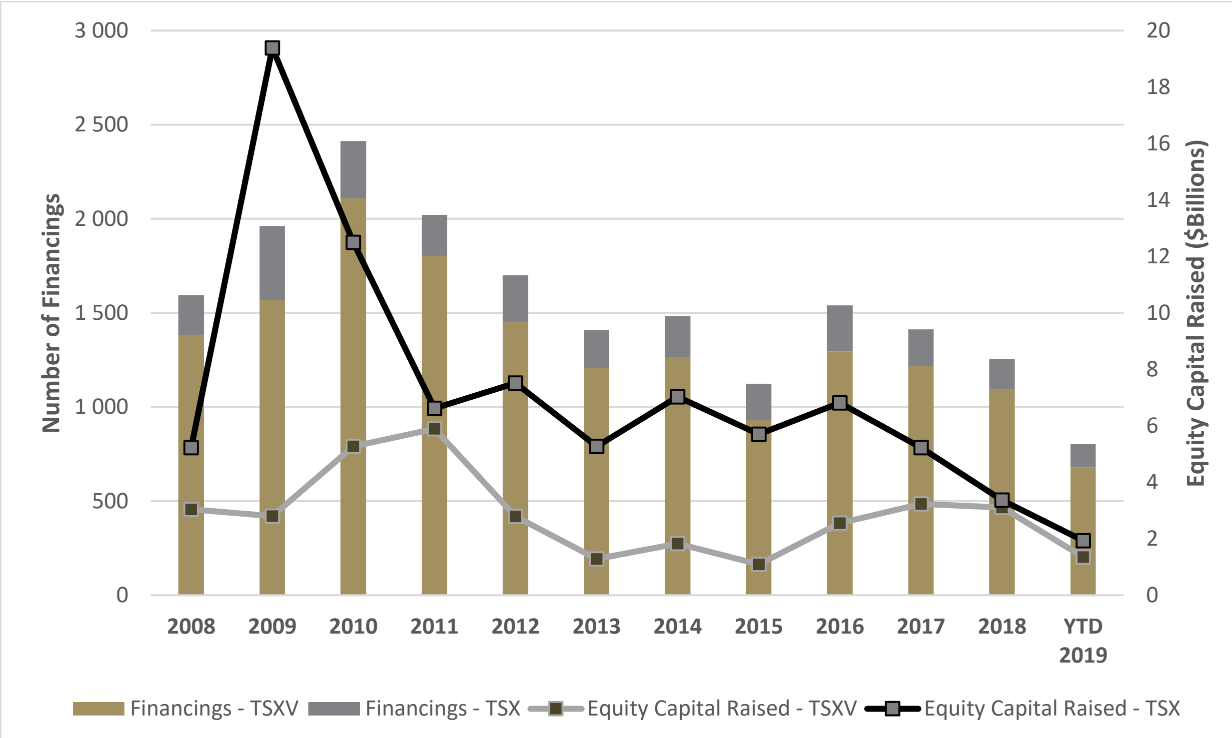
Iron Ore

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$94 per tonne, compared to approximately US$69 per tonne one year ago. The spot price of iron ore is currently near the upper end of its trailing five-year price range.

Market Participants

The mining sector began to recover from a prolonged downturn in early 2016. Metal prices increased, driving higher mining equity valuations and increased financing activity. However, the recovery paused in mid-2018 as metal prices declined. In late May 2019, the price of gold entered into a sustained rally, surpassing US$1,500 an ounce in August for the first time in more than six years. Accordingly, the share valuations of gold mining companies have increased significantly, as reflected by the more than 30% increase in the S&P/TSX Global Gold Index (May 31, 2019 to September 18, 2019). The performance of the base metals has been mixed during 2019 and the stock performance of base metal mining companies, has generally lagged gold mining companies. The S&P/TSX Global Base Metals Index was down approximately 2% from May 31, 2019 to September 18, 2019.

TSX / TSX-V Mining Sector Financings (2008 to the eight months ended August 31, 2019)



Overall, mining financing activity has slowed in 2019 relative to 2018. According to TMX Group, mining companies listed on the Toronto Stock Exchange ("TSX") and the TSX-Venture Exchange completed 802 financings in the first eight months of 2019, raising an aggregate of $3.3 billion of equity capital, compared to 849 financings that raised $5.0 billion of equity capital in the first eight months of 2018, and 947 financings that raised $4.9 billion of equity capital in the first eight months of 2017. Despite the overall lower levels of mining financing to date in 2019, activity has rebounded after a slow start to the year. The month of August was notably strong, as mining companies on the two exchanges completed 137 financings that raised $1.4 billion of equity capital, including two financings for a base metals company that totalled $679 million.

According to research from S&P Global Market Intelligence's Corporate Exploration Strategies series (March 2019), global exploration budgets for nonferrous metals increased 19% to an estimated US$10.1 billion in 2018, compared to US$8.5 billion in 2017. This represented the second consecutive annual increase in global nonferrous exploration budgets, following four consecutive years of declining expenditures. S&P expects global exploration budgets for nonferrous metals to increase by an additional 5% to 10% in 2019.

OVERALL PERFORMANCE

Revenue for the Fiscal year ended June 30, 2019 was $152.8 million, compared to $173.1 million in Fiscal 2018.

Gross margin percentage for Fiscal 2019 was 10.7%, compared to 12.4% for Fiscal 2018.

Drilling volume in Fiscal 2019 was 1,427,587 metres, compared to 1,537,212 metres drilled in Fiscal 2018.

The decrease in revenue and gross margins contributed to a net loss of $3.5 million, or $0.09 per share, for Fiscal 2019, compared to net earnings of $4.5 million, or $0.12 per share, for Fiscal 2018. Earnings before interest, taxes, depreciation and amortization ("EBITDA" – see Reconciliation of non-IFRS financial measures) totalled $8.3 million in Fiscal 2019, compared to $14.7 million in Fiscal 2018.

Results of operations for the year ended June 30, 2019

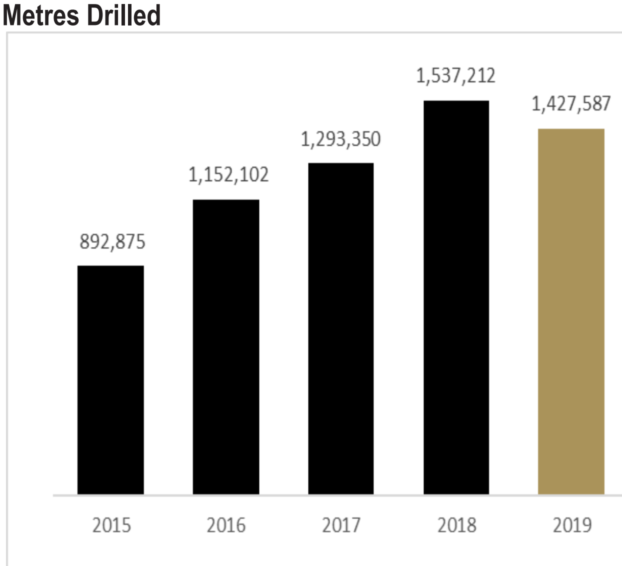
FISCAL YEAR ENDED JUNE 30 * ($millions)		Fiscal 2019	Fiscal 2018	2019 vs. 2018 Variance
Revenue *		**152.8**	173.1	**(20.3)**
Gross profit *		**16.3**	21.5	**(5.2)**
Gross margin (%)		**10.7**	12.4	**(1.7)**
Adjusted gross margin (%) (1)		**16.4**	17.0	**(0.6)**
Net earnings (loss) *		**(3.5)**	4.5	**(8.0)**
Net earnings (loss) per common share	**- Basic ($)**	**(0.09)**	0.12	**(0.21)**
	- Diluted ($)	**(0.09)**	0.12	**(0.21)**
EBITDA * (2)		**8.3**	14.7	**(6.4)**
Metres drilled		**1,427,587**	1,537,212	**(109,625)**

(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."

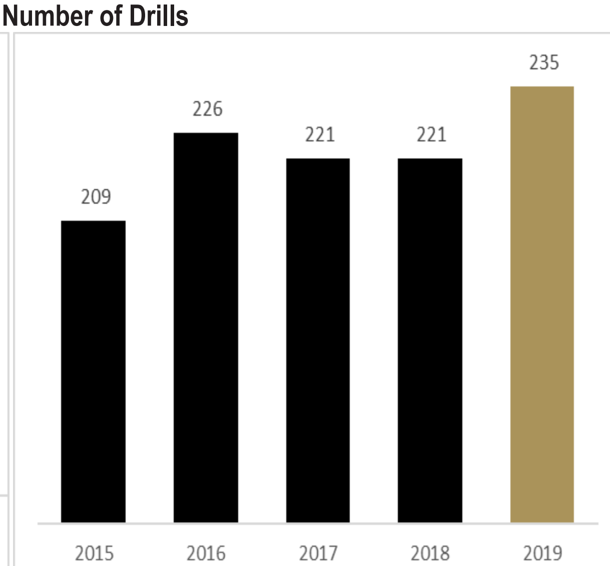
During Fiscal 2019, Orbit Garant drilled 1,427,587 metres, compared to 1,537,212 metres drilled in Fiscal 2018. The Company's average revenue per metre drilled in Fiscal 2019 was $106.74, compared to $112.29 in Fiscal 2018. The decrease in average revenue per metre drilled is primarily attributable to a lower proportion of specialized international drilling activity, which is priced at a higher rate than the conventional drilling.

The Company had 235 drill rigs as at June 30, 2019, compared to 221 drill rigs at the end of Fiscal 2018. During Fiscal 2019, Soudure Royale manufactured four new computerized drill rigs, while three conventional drill rigs were dismantled. Orbit Garant currently has 38 drill rigs outfitted with computerized monitoring control technology. The Company also added 13 conventional surface drill rigs through the acquisition of the drilling business of PPI in Burkina Faso in Q2 FY2019.

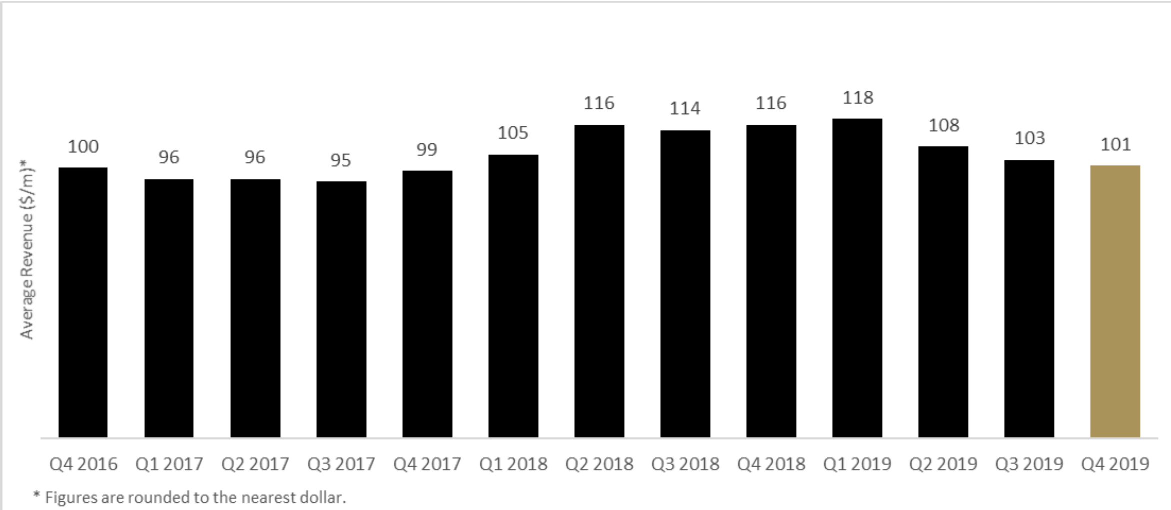
Metres Drilled



Number of Drills



Average Revenue per Metre Drilled



SELECTED ANNUAL FINANCIAL INFORMATION

For the year ended June 30 *($millions)	Fiscal 2019	Fiscal 2018	Fiscal 2017
Contract revenue			
Drilling Canada *	**109.5**	120.9	99.3
Drilling International *	**43.3**	52.2	25.9
Total *	**152.8**	173.1	125.2
Gross profit *	**16.3**	21.5	8.0
Gross margin (%)	**10.7**	12.4	6.4
Adjusted gross margin (%) (1)	**16.4**	17.0	13.4
Net earnings (loss) *	**(3.5)**	4.5	(5.9)
Net earnings (loss) per common share ($)	**(0.09)**	0.12	(0.17)
Net earnings (loss) per common share diluted ($)	**(0.09)**	0.12	(0.17)
Total assets *	**134.7**	123.3	111.4
Long term debt including current portion *	**29.6**	20.0	17.0
EBITDA * (2)	**8.3**	14.7	2.7
EBITDA % (2)	**5.4**	8.5	2.2
Total metres drilled (million)	**1.4**	1.5	1.3

(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".

RESULTS OF OPERATIONS

FISCAL 2019 COMPARED TO FISCAL 2018

Contract Revenue

Revenue in Fiscal 2019 totalled $152.8 million, compared to $173.1 million in Fiscal 2018. The decrease in revenue was primarily attributable to a decline in drilling activities in Canada and Chile.

Canada revenue was $109.5 million in Fiscal 2019, a decrease of $11.4 million, or 9.4%, from $120.9 million in Fiscal 2018. The decrease was primarily attributable to a decline in metres drilled.

International revenue totalled $43.3 million in Fiscal 2019, compared to $52.2 million in Fiscal 2018, a decrease of $8.9 million, or 17.0%. International includes $26.1 million in revenues from Chile in Fiscal 2019, compared to $41.6 million in Fiscal 2018. The decrease in international revenue is primarily attributable to the conclusion of a large drilling contract in Chile during the third quarter of Fiscal 2018 ("Q3 FY 2018"), and the conclusion of an additional multi-year drilling contract in Chile at the beginning of the fourth quarter of Fiscal 2019 ("Q4 FY2019"). The decline was partially offset by an increase in drilling activity in Burkina Faso, attributable to the acquisition of the drilling business of PPI in the second quarter of Fiscal 2019 ("Q2 FY2019") and new projects in Argentina and Ghana.

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

Gross profit for Fiscal 2019 was $16.3 million, compared to $21.5 million in Fiscal 2018. Gross margin was 10.7% compared to 12.4% in Fiscal 2018. Depreciation expenses totalling $8.8 million are included in cost of contract revenue for Fiscal 2019, compared to $7.9 million in Fiscal 2018. Adjusted gross margin, excluding depreciation expenses, was 16.4% in Fiscal 2019, compared to 17.0% in Fiscal 2018. The decrease in gross profit, gross margin and adjusted gross margin was primarily attributable to lower overall drilling volume in Canada, partially offset by improved gross profit and margins in international operations, as the Company concluded a large non-profitable drilling contract in Chile during Q3 FY2018, and benefitted from increased drilling activities in Burkina Faso.

General and Administrative Expenses

General and administrative (G&A) expenses were $17.3 million (representing 11.3% of revenue) in Fiscal 2019, compared to $15.8 million (representing 9.1% of revenue) in Fiscal 2018. The increase in G&A expenses is primarily attributable to $1.1 million of acquisition and integration costs related the acquisition of the drilling business of PPI in Q2 FY2019.

Operating Results

Earnings from operations for Fiscal 2019 were $3.5 million, compared to earnings from operations of $9.4 million in Fiscal 2018.

Drilling Canada's operating loss of $2.9 million in Fiscal 2019, compared to operating earnings of $6.3 million in Fiscal 2018, was primarily attributable to lower drilling volumes.

Drilling International's operating earnings totalled $6.4 million in Fiscal 2019, compared to $3.1 million in Fiscal 2018. The increase was primarily attributable to the conclusion of a large, non-profitable drilling contract in Chile in Q3 FY2018 and an increase in drilling activities in Burkina Faso.

Foreign Exchange Loss (Gain)

Foreign exchange loss was $0.7 million in Fiscal 2019, compared to a foreign exchange gain of $0.3 million in Fiscal 2018.

EBITDA (see Reconciliation of non-IFRS financial measures)

Earnings before interest, taxes, depreciation and amortization ("EBITDA") totalled $8.3 million in Fiscal 2019, compared to $14.7 million in Fiscal 2018. EBITDA represented 5.4% of sales in Fiscal 2019, compared to 8.5% of sales in Fiscal 2018. The decline in EBITDA is primarily attributable to lower drilling volumes in Canada and to $1.1 million of acquisition and integration costs related to the acquisition of the drilling business of PPI in Q2 FY2019.

Financial Expenses

Interest costs related to long-term debt and bank charges were $2.1 million in Fiscal 2019, compared to $1.7 million in Fiscal 2018.

Income Tax (Recovery)

Income tax recovery was $0.3 million for Fiscal 2019, in line with Fiscal 2018. The effective tax rate for the year was positively impacted mainly by the use of unrecognized tax losses for OG Chile during Fiscal 2018.

Net Earnings (Loss)

The Company's net loss for Fiscal 2019 was $3.5 million, or $0.09 per share, compared to net earnings of $4.5 million, or $0.12 per share, in Fiscal 2018. Lower gross profit and margins, as discussed above, contributed to the Company's net loss for Fiscal 2019. The Company's net loss for Fiscal 2019 also included $1.1 million of acquisition and integration costs, before income taxes, related to the acquisition of the drilling business of PPI in Q2 FY2019 (or $0.8 million of acquisition and integration costs, net of income taxes).

SUMMARY ANALYSIS OF FISCAL 2018 COMPARED TO FISCAL 2017

Revenue for Fiscal 2018 totalled $173.1 million, compared to $125.2 million for the fiscal year ended June 30, 2017 ("Fiscal 2017"), representing an increase of $47.9 million, or 38.3%. Higher revenue in Fiscal 2018 was attributable to an increase in metres drilled in Canada and internationally, and a higher proportion of specialized drilling activities.

Gross profit for Fiscal 2018 was $21.5 million, compared to $8.0 million in Fiscal 2017. Gross margin for Fiscal 2018 was 12.4% compared to 6.4% in Fiscal 2017. Adjusted gross margin, excluding depreciation expenses, was 17.0% in Fiscal 2018, compared to 13.4% in Fiscal 2017. The increase in gross profit, gross margin and adjusted gross margin was primarily attributable to higher drilling volumes in both Canada and International, increased specialized drilling activities in Chile and higher pricing on certain contracts in Canada.

Net earnings in Fiscal 2018 totalled $4.5 million, or $0.12 per share, compared to a net loss of $5.9 million, or $0.17 per share, in Fiscal 2017. Higher gross profit and margins, as discussed above, contributed to the Company's net earnings for Fiscal 2018.

OVERALL PERFORMANCE

SUMMARY OF QUARTERLY RESULTS

* ($millions)		Fiscal 2019				Fiscal 2018			
		June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30
Contract revenue *		**44.4**	37.4	33.7	37.3	**44.5**	43.1	43.0	42.5
Gross profit (1)*		**4.7**	3.1	2.9	5.6	**7.5**	2.2	5.1	6.7
Gross margin %		**10.6**	8.2	8.6	15.0	**16.8**	5.2	11.7	15.9
Net earnings (loss) *		**(0.8)**	(1.4)	(1.7)	0.4	**3.3**	(1.3)	0.8	1.7
Net earnings (loss) per common share ($)	- Basic	**(0.02)**	(0.04)	(0.04)	0.01	**0.09**	(0.04)	0.02	0.05
	- Diluted	**(0.02)**	(0.04)	(0.04)	0.01	**0.09**	(0.04)	0.02	0.05

(1) Includes amortization and depreciation expenses related to operations.

SEASONALITY

The Company's quarterly revenue reflects certain seasonal factors. In underground drilling operations, scheduled mine shutdowns over holiday and summer periods at some locations reduce revenue during these periods. In domestic and international surface drilling operations, weather conditions often cause drilling programs to pause, or to be planned around seasonal fluctuations.

ANALYSIS OF THE FOURTH QUARTER OF FISCAL 2019 COMPARED TO THE FOURTH QUARTER OF FISCAL 2018

Contract Revenue

Revenue for the three-month period ended June 30, 2019 ("Q4 FY2019") totalled $44.4 million, compared to $44.5 million for the quarter ended June 30, 2018 ("Q4 FY2018").

Canada revenue totalled $31.6 million in Q4 FY2019, compared to $30.4 million in Q4 FY2018, reflecting increased specialized drilling activity, which is typically charged at a higher rate.

International revenue decreased to $12.8 million in Q4 FY2019, compared to $14.1 million in Q4 FY2018. The decrease in International revenue was primarily attributable to lower revenue in Chile ($5.6 million in Q4 FY2019 compared to $11.4 million in Q4 FY2018), reflecting the completion of a multi-year drilling contract at the beginning of Q4 FY2019, partially offset by new drilling projects in Chile, Argentina, Burkina Faso and Ghana.

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

Gross profit for Q4 FY2019 was $4.7 million, a decrease of $2.8 million from $7.5 million in Q4 FY2018. Gross margin for Q4 FY2019 was 10.6% compared to 16.8% in Q4 FY2018. Depreciation expenses totalling $2.3 million are included in the cost of contract revenue for Q4 FY2019, compared to $2.0 million in Q4 FY2018. Adjusted gross margin, excluding depreciation expenses, was 15.8% in Q4 FY2019, compared to adjusted gross margin of 21.2% in Q4 FY2018. Lower gross profit, gross margins, and adjusted gross margins reflect lower productivity levels on certain contracts and the ramp up of both new and existing drilling projects in Canada, and the conclusion of the large contract in Chile.

General and Administrative Expenses

G&A expenses were $4.4 million (representing 9.8% of revenue) in Q4 FY2019, compared to $3.8 million (representing 8.6% of revenue) in Q4 FY2018. G&A expenses in Q4 FY2019 include $0.2 million of acquisition and integration costs related to the Company's acquisition of the drilling business of PPI in Q2 FY2019.

Operating Results

Earnings from operations for Q4 FY2019 were $1.4 million, compared to operating earnings of $4.4 million in Q4 FY2018.

Drilling Canada's operating loss totalled $0.6 million, compared to operating earnings of $1.8 million in Q4 FY2018, reflecting lower productivity rates as discussed above.

Drilling International's operating earnings totalled $2.0 million, compared to operating earnings of $2.6 million in Q4 FY2018. This decrease was primarily attributable to a lower proportion of specialized drilling activity.

Foreign Exchange Loss (Gain)

Foreign exchange loss was $0.4 million in Q4 FY2019, compared to a loss of $0.3 million in Q4 FY2018.

EBITDA (see Reconciliation of non-IFRS financial measures)

EBITDA totalled $2.6 million in Q4 FY2019, compared to $5.5 million in Q4 FY2018.

Financial Expenses

Interest costs related to long-term debt and bank charges were $0.6 million in Q4 FY2019, compared to $0.4 million in Q4 FY2018.

Income Tax (Recovery)

Income tax was $0.2 million in Q4 FY2019, compared to an income tax recovery of $0.2 million in Q4 FY2018. The tax recovery for Q4 FY2018 was positively impacted by the use of unrecognized tax losses for OG Chile.

Net Earnings (Loss)

Net loss for Q4 FY2019 was $0.8 million, or $0.02 per share, compared to net earnings of $3.3 million, or $0.09 per share, in Q4 FY2018. Lower gross profit and margins, as discussed above, contributed to the Company's net loss for Q4 FY2019.

EFFECT OF EXCHANGE RATE

The Company realizes portions of its business activities in the following foreign currencies: US dollars ("US"), Chilean Pesos ("CLP"), Ghanaian cedi ("GHS") and West African Francs ("XOF"), and is thus exposed to foreign exchange fluctuations. Orbit Garant does not actively manage this risk. As at June 30, 2019, the Company had cash in US dollars for an amount of US$0.9 million (June 30, 2018, US$0.5 million) and accounts receivable in US dollars for an amount of US$1.8 million (June 30, 2018, US$1.3 million). The Company had cash in Chilean Pesos for an amount of CLP$197,343,690 (June 30, 2018, CLP$832,879,752) and accounts receivable in Chilean Pesos for an amount of CLP$2,961,013,695 (June 30, 2018, CLP$2,907,515,452). The Company had cash in GHS for an amount of GHS 130,004 (June 30, 2018, GHS 625,294) and accounts receivable in GHS for an amount of GHS 8,419,607

(June 30, 2018, GHS 4,549,573). The Company had cash in West African Francs XOF for an amount of XOF 223,581,125 (June 30, 2018, XOF137,871,643) and accounts receivable in West African Francs XOF for an amount of XOF 2,180,876,102 (June 30, 2018, XOF608, 226,530).

As at June 30, 2019, the Company has estimated that a 10% increase or decrease of the US exchange rate would have caused a corresponding annual increase or decrease in net earnings (loss) and comprehensive earnings (loss) of $0.2 million (June 30, 2018, $0.2 million); a 10% increase or decrease of the Chilean Pesos exchange rate would have caused a corresponding annual increase or decrease in net earnings (loss) and comprehensive earnings (loss) of $0.4 million (June 30, 2018, $0.5 million); a 10% increase or decrease of the GHS exchange rate would have caused a corresponding annual increase or decrease in net earnings (loss) and comprehensive earnings (loss) of $0.2 million (June 30, 2018, $0.1 million); and a 10% increase or decrease of the XOF exchange rate would have caused a corresponding annual increase or decrease in net earnings (loss) and comprehensive income of $0.1 million (June 30, 2018, $0.1 million).

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 $8.5 million in Fiscal 2019, compared to $14.8 million in Fiscal 2018.

The change in non-cash operating working capital items was an outflow of $5.9 million, compared to an outflow of $3.9 million in Fiscal 2018.The change in non-cash operating working capital in Fiscal 2019 was primarily attributable to:

- $4.5 million related to an increase in accounts receivable and prepaid expenses, and
- $1.9 million related to an increase in inventory to support level of operation, partially offset by
- $0.5 million related to an increase in accounts payable.

Investing Activities

Cash used in investing activities totalled $11.2 million in Fiscal 2019, compared to $8.2 million in Fiscal 2018. During Fiscal 2019, $3.4 million was used for the acquisition of the drilling business of PPI and $8.3 million was used for the acquisition of property, plant and equipment, partially offset by a cash inflow of $0.4 million on disposal of investments, property, plant and equipment. In Fiscal 2018, $8.6 million was used for the acquisition of property, plant and equipment, partially offset by a cash inflow of $0.5 million on disposal of investments, property, plant and equipment.

Financing Activities

During Fiscal 2019, the Company generated $10.3 million from financing activities, compared to $3.2 million in Fiscal 2018.

Orbit Garant's primary sources of liquidity are cash flow from operations and borrowings under a credit facility (the "**Credit Facility**") with National Bank of Canada Inc. ("**National Bank**"). On December 12, 2018, the Company and National Bank entered into a Third Amended and Restated Credit Agreement in respect of the Credit Facility and on June 28, 2019 the Company and National Bank entered into an amendment to the Third Amended and Restated Credit Agreement. Pursuant to the Third Amended and Restated Credit Agreement, as amended, the Credit Facility consists of a $35.0 million revolving credit facility and a US$5.0 million revolving credit facility. The current term of the Credit Facility expires November 2, 2021.

The Company withdrew a net amount of $7.2 million during Fiscal 2019 on its Credit Facility, compared to a withdrawal of $4.5 million in Fiscal 2018. The Company's long-term debt, including the current portion, was $25.3 million as at

June 30, 2019, compared to $18.1 million as at June 30, 2018. The Company's debt was incurred to support working capital requirements, the financing of the acquisition of certain assets of PPI in Q2 FY2019 and the acquisition of capital assets, property, plant and equipment.

The Company made finance lease payments of $0.2 million, compared to $0.7 million in Q4 FY2018.

As at June 30, 2019, the Company's working capital was $55.1 million, compared to $53.3 million as at June 30, 2018. 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 debt obligations. The Company's principal capital expenditures are related to the acquisition of drill rigs and property, plant and equipment.

Sources of Financing

As at June 30, 2019, the Company complied with all covenants in the Credit Facility and in the EDC Loan Agreement.

Orbit Garant's primary sources of liquidity are cash flow from operations and borrowings under its Credit Facility. As at June 30, 2019, the Company had drawn $25.3 million ($18.1 million as at June 30, 2018) under the Credit Facility.

Availability under the main revolving facility under the Credit Facility is subject to a borrowing base that is determined by the value of the Company's inventory, accounts receivable and real estate. All of Orbit Garant's assets are pledged as security for the Company's obligations under the Credit Facility. In addition, the Company's obligations under the US$5.0 million revolving credit facility are guaranteed by Export Development Canada ("**EDC")**.

The Amended and Restated Credit Facility contains covenants that limit the Company's ability to undertake certain actions without prior approval of the Lender, 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 mutually agreed upon limits; and vii) certain asset sales. The Credit Facility also contains a number of financial covenants that the Company must comply with. In addition, the Credit Facility will mature no later than November 2, 2021.

On December 20, 2018 the Company entered into a Loan Agreement with Export Development Canada (the "**EDC Loan Agreement**") for a term loan in the principal amount of up to US$5,150,000 for the purposes of financing the Company's acquisition of certain assets of PPI that was completed on October 11, 2018. The Company will be required to repay this loan in 57 consecutive monthly installments starting in May 2019, maturing January 2024. The Company's obligations under the EDC Loan Agreement are secured by a third ranking hypothec over all of the Company's assets. On January 21, 2019, an initial drawdown of US$2,575,000 was used to reduce the amount drawn from the Company's Credit Facility. The Company's long-term debt under EDC Loan, including the current portion, was $3.2 million as at June 30, 2019.

The Company believes that it will be able to generate sufficient cash flow to meet its current and future working capital expenditures and debt obligations. The Company's principal capital expenditures are related to the acquisition of drill rigs and other assets included in property, plant and equipment.

As at June 30, 2019 the Company had future contractual obligations as follows:

*($thousands)	Total	Less than 1 year	2-3 years	4-5 years	Subsequent years
Long-term debt and finance leases*	29,862	1,400	27,438	1,024	-
Operating leases *	2,437	712	650	350	725
Total *	32,299	2,112	28,088	1,374	725

OUTSTANDING SECURITIES AS AT SEPTEMBER 18, 2019

Number of common shares	37,021,756
Number of options	2,960,500
Fully diluted	39,982,256

On October 11, 2018, the Company issued 861,637 common shares in partial payment for the acquisition in Burkina Faso as described in **"Business Combination".** On December 5, 2018, the Company issued 500,000 options at an exercise price of $1.73. In April 2019, 13,000 options were exercised and 23,000 were cancelled.

RELATED PARTY TRANSACTIONS

Transactions with related parties

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

On February 28, 2017, the Company granted a loan maturing no later than February 28, 2019 for the amount of $1.2 million to the President and Chief Executive Officer in connection with the exercise of his option to purchase 942,000 shares of Orbit Garant Drilling Inc. The loan bears interest at a rate of 4% annually and is secured by a pledge of shares and guarantee from 6705570 Canada Inc. On December 15, 2017, the President and Chief Executive Officer repaid an amount of $0.6 million and on December 19, 2018 he repaid the balance of the loan and accrued interest for an amount of $0.7 million.

During the twelve-month periods ended June 30, 2019 and June 30, 2018, the Company entered into the following transactions with its related company and with persons related to directors:

*($thousands)	12 months ended June 30, 2019	12 months ended June 30, 2018
Revenue*	266	283
Expenses*	151	131

As at June 30, 2019, an amount of $0.1 million was a receivable resulting from these transactions ($0.8 million as at June 30, 2018).

All of 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 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 are as follows:

*($thousands)	12 months ended June 30, 2019	12 months ended June 30, 2018
Salaries and fees *	1,877	1,734
Share-based compensation*	200	236
Total*	2,077	1,970

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The significant accounting policies are described in note 4 of the Fiscal 2019 audited consolidated financial statements. The preparation of financial statements in accordance with IFRS requires the Company's Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and contingent liabilities on the reporting date, and amounts of revenues and expenses for the relevant period. Although Management regularly reviews its estimates, actual results may differ. The impact of changes to accounting estimates is recognized in the period during which the change occurs, and in the affected future periods, when applicable. Areas in which the estimates and assumptions are significant, or which are complex, are presented as follows:

A- CRITICAL ACCOUNTING ESTIMATES

Inventories

Inventory is measured at the lower of cost and net realizable value. In estimating net realizable values, Management takes into account the most reliable evidence available at the time the estimates are made. Net realizable value is determined using the estimated selling price less estimated costs to complete the sale. Used and revised inventories are valued at 50% and 75% of cost respectively. The amount of the write-down of inventories can be reversed when the circumstances that led to the write-down charge in the past no longer exists.

Business combinations

On initial recognition, the assets and liabilities of the acquired business are included in the consolidated statement of financial position of the Company at their fair values. In measuring fair value, Management uses estimates about future cash flows and discount rates, however, the actual results may vary.

Impairment of non-financial assets

The Company also uses its judgment to determine whether an impairment test must be performed due to the presence of potential impairment indicators. In applying its judgment, the Company relies primarily on its knowledge of its business and the economic environment. As at June 30, 2019, the Company concluded that there were impairment indicators, and it performed an impairment test. No impairment was recognized as a result of this test. Significant management estimates are required to determine the recoverable amount of the cash-generating unit ("CGU") including estimates of fair value of certain assets and selling cost. Differences in estimates could affect whether tangible and intangible assets are in fact impaired and the dollar amount of that impairment. Significant assumptions used by management include to determine the fair value of certain assets based on year, model and condition at the date of valuation.

Income taxes

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

Deferred income tax assets

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

B- JUDGEMENTS

Functional currency

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

STANDARDS AND INTERPRETATIONS ADOPTED

The following standards and amendments to existing standards have been adopted by the Company on July 1, 2018:

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers
- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions.
- IFRIC Interpretation 22 – Foreign Currency Transaction and Advance Consideration.

RECENT ACCOUNTING PRONOUNCEMENTS

The Company has not early adopted the following new standards that have been issued, but are not yet effective:

- IFRS 16 – Leases
  The Company is still evaluating the impact of the adoption of this standard on its consolidated financial statements.
- IFRIC 23 – Uncertainty over Income Tax Treatments
  The Company does not expect IFRIC 23 to have a material impact on its consolidated financial statements.

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

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

EBITDA

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

(unaudited) (in millions of dollars)	3 months ended June 30, 2019	3 months ended June 30, 2018	12 months ended June 30, 2019	12 months ended June 30, 2018	12 months ended June 30, 2017
Net earnings (loss) for the period	**(0.8)**	3.3	**(3.5)**	4.5	(5.9)
Add:					
Finance costs	**0.6**	0.4	**2.1**	1.7	1.0
Income tax expense (recovery)	**0.2**	(0.2)	**(0.3)**	(0.3)	(2.0)
Depreciation and amortization	**2.6**	2.0	**10.0**	8.8	9.6
EBITDA	**2.6**	5.5	**8.3**	14.7	2.7

Adjusted Gross Profit and Margin

Although adjusted gross profit and 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 June 30, 2019	3 months ended June 30, 2018	12 months ended June 30, 2019	12 months ended June 30, 2018	12 months ended June 30, 2017
Contract revenue	**44.4**	44.5	**152.8**	173.1	125.2
Cost of contract revenue (including depreciation)	**39.7**	37.1	**136.5**	151.6	117.1
Less depreciation	**(2.3)**	(2.0)	**(8.8)**	(7.9)	(8.7)
Direct costs	**37.4**	35.1	**127.7**	143.7	108.4
Adjusted gross profit	**7.0**	9.4	**25.1**	29.4	16.8
Adjusted gross margin (%) (1)	**15.8**	21.2	**16.4**	17.0	13.4

(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 18, 2019. 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.

Risk Related to Structure to the Business and Industry

Cyclical Downturns

Demand for drilling services and products depends significantly on the level of mineral exploration and development activities conducted by mining companies, which in turn, are driven significantly by commodity prices. There is a continued risk that low commodity prices could substantially reduce future exploration and drilling expenditures by mining companies, which in turn, could result in a decline in the demand for the drilling services offered by the Company and would materially impact the Company's revenue, financial condition, cash flows and growth prospects.

Sensitivity to General Economic Conditions

The operating and financial performance of Orbit Garant is influenced by a variety of international and country-specific general economic and business conditions (including inflation, interest rates and exchange rates), access to debt and capital markets, as well as, monetary and regulatory policies. Deterioration in domestic or international general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could have a material adverse effect on the financial performance and condition, cash flows and growth prospects of the Company.

Reliance on and Retention of Employees

In addition to the availability of capital for equipment, a key limiting factor in the growth of drilling services companies is the supply of qualified drillers, on whom the Company relies upon to operate its drills. As such, the ability to attract, train and retain high quality drillers is a high priority for all drilling services providers. A failure by the Company to retain qualified drillers or attract and train new qualified drillers could have a material adverse effect on the Company's financial performance, financial condition, cash flows and growth prospects. In addition, rising rates paid to drillers and helpers will exert pressure on the Company's profit margins if it is unable to pass on such higher costs to its customers through price increases.

Increased Cost of Sourcing Consumables

When bidding on an underground drilling contract, the cost of sourcing consumables is a key consideration in deciding upon the pricing. Underground drilling contracts are typically for one to two years and expose the Company to an increase in the cost of consumables and labor during that period. A material increase in the cost of labor or consumables during that period could result in materially higher costs and could materially reduce the Company's financial performance, financial condition, cash flows and growth prospects.

Country Risks

The Company does business internationally in numerous regions of different countries and with this comes the risk of dealing with business and political systems in a variety of jurisdictions. Unanticipated events in a country (precipitated by developments within or external to the country), such as economic, political, tax related, regulatory or legal changes (or changes in interpretation), could, directly or indirectly, have a material negative impact on operations and assets. The risks include, but are not limited to, military repression, extreme fluctuations in currency exchange rates, high rates of inflation, changes in mining or investment policies, nationalization/expropriation of projects or assets, corruption, delays in obtaining or inability to obtain necessary permits, nullification of existing mining claims or interests therein, hostage takings, labour unrest, opposition to mining form environmental or other non-governmental organisations or shifts in political attitude that may adversely affect the business. There has been an emergence of a trend by governments to increase their participation in the industry and thereby their revenues through increased taxation, expropriation, or otherwise. This could negatively impact the level of foreign investment in mining and exploration activities and thus drilling demand in these regions. Such events could result in reductions in revenue and additional transition costs as equipment is shifted to other locations. Nationalization/expropriation of mining projects has a direct impact on suppliers (such as the Company) to the mining industry.

While the Company works to mitigate its exposure to potential country risk events, the impact of any such event is mostly not under the Company's control, is highly uncertain and unpredictable and will be based on specific facts and circumstances. As a result, the Company can give no assurance that it will not be subject to any country risk event, directly or indirectly, in the jurisdictions in which it operates.

Tax Risks

The Company operates in many countries and is therefore subject to many different forms of taxation in various jurisdictions throughout the world, including but not limited to, property tax, income tax, withholding tax, commodity tax, social security and other payroll related taxes, foreign currency and capital repatriation laws. An unfavorable interpretation of the current tax legislation could have a material adverse effect on the profitability of the Company or may lead to disagreements with tax authorities regarding the interpretation of tax law.

Tax law and administration is extremely complex and often requires the Company to make subjective determinations. The Company must make assumptions about, but not limited to, the tax rates in various jurisdictions, the effect of tax treaties between jurisdictions and taxable income projections due to tax law and its administration which are extremely complex. To the extent that such assumptions differ from actual results, or if such jurisdictions were to change or modify such laws or the current interpretation thereof, the Company may have to record additional tax expenses and liabilities, including interest and penalties. Moreover, there is a risk in which the countries where the Company operates may change their current tax regime with little prior notice or that the tax authorities in these jurisdictions may attempt to claim tax on the global revenues of the Company

Leverage and Restrictive Covenants

Orbit Garant entered into the Credit Agreement in order to provide it with credit facilities to fund, among other things, working capital and acquisitions. The degree to which Orbit Garant is leveraged could have important consequences, including: i) Orbit Garant's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; ii) a significant portion of Orbit Garant's cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations; and iii) certain of Orbit Garant's borrowings (including borrowings under the Credit Agreement) will be at variable rates of interests, which exposes Orbit Garant to the risk of increased interest rates which may have an adverse effect on Orbit Garant's financial condition.

The Credit Agreement contains numerous restrictive covenants that limit the discretion of Orbit Garant's Management with respect to certain business matters. These covenants place significant restrictions on, among other things, changes in ownership and the ability of Orbit Garant to create liens or other encumbrances, to pay dividends or make certain other payments, investments, acquisitions, capital expenditures, loans and guarantees and to sell or otherwise dispose of assets and merge with another entity. In addition, the Credit Agreement contains financial covenants that require Orbit Garant to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in the Credit Agreement could result in a default that, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the Credit Agreement were to be accelerated, there can be no assurance that the assets of Orbit Garant would be sufficient to repay in full that indebtedness. In addition, the Credit Agreement will mature no later than November 2, 2020. There can be no assurance that future borrowings or equity financing will be available to Orbit Garant or available on acceptable terms, in an amount sufficient to repay the Credit Agreement at maturity or to fund Orbit Garant's needs thereafter. This could have a material adverse effect on the business, financial condition and results of operations of Orbit Garant.

Access of Customers to Equity Markets

Economic factors may make it more difficult for mining companies, particularly junior mining companies, to raise money to fund exploration activity. This difficulty would have an adverse impact on the demand for drilling services and could have a material adverse effect on the financial performance, financial condition, cash flows and growth prospects of the Company.

Acquisitions

The Company is continuously seeking business acquisitions. It may be exposed to business risks or liabilities for which it may not be fully indemnified or insured. The ongoing integration of existing and new computer systems, equipment and personnel may impact the success of the acquisitions. Any issues arising from the integration of the acquired businesses, including the integration of the accounting software, may require significant management, financial or personnel resources that would otherwise be available for ongoing development and expansion of the Company's existing operations. If this happens, it may have a material adverse effect on the financial performance, financial condition, cash flows and growth prospects of the Company.

Supply of Consumables

If the Company should grow, it could put pressure on its ability to manufacture or otherwise obtain new drills and consumables required to conduct the Company's drilling operations. This could constrain the Company's ability to increase its capacity and increase or maintain revenue and profitability.

Competition

The Company faces competition from several large drilling services companies and many smaller, regional competitors. Some of the Company's competitors have been in the drilling services industry for a longer period and have substantially greater financial and other resources than the Company has. Increased competition in the drilling services market may adversely affect the Company's current market share, profitability and growth opportunities. The capital cost to acquire drilling rigs is relatively low, enabling competitors to finance expansion and providing opportunity for new competitors to enter the market. This dynamic exposes the Company to the risk of reduced market share and scope for geographic growth, as well as lower revenue and margin for its existing business.

A significant portion of the drilling services business is a result of being awarded contracts through a competitive tender process. It is possible that the Company will lose potential new contracts to competitors if it is unable to demonstrate reliable performance, technical competence and competitive pricing as part of the tender process or if mining companies elect not to undertake a competitive tender process.

Ability to Sustain and Manage Growth

The Company's ability to grow will depend on a number of factors, many of which are beyond the Company's control, including, but not limited to, commodity prices, the ability of mining companies to raise financing and the demand for raw materials from large, emerging economies such as the Brazil, Russia, India and China ("BRIC") economies. In addition, the Company is subject to a variety of business risks generally associated with growing companies. Future growth and expansion could place significant strain on the Company's Management personnel and likely will require the Company to recruit additional management personnel.

There can be no assurance that the Company will be able to: i) manage its expanding operations (including any acquisitions) effectively; ii) sustain or accelerate its growth or that such growth, if achieved, will result in profitable operations; iii) attract and retain sufficient management personnel necessary for continued growth; or, iv) successfully make strategic investments or acquisitions. The failure to accomplish any of the foregoing could have a material adverse effect on the Company's financial performance, financial condition, cash flows and growth prospects.

Future Acquisition Strategy

The Company intends to grow through acquisitions in addition to organic growth. There is considerable competition within the drilling services industry for attractive acquisition targets. It is not possible to ensure that future acquisition opportunities will exist on acceptable terms, or that newly acquired or developed entities will be successfully integrated into the Company's operations. Additionally, the Company cannot give assurances that it will be able to secure the adequate financing on acceptable terms to pursue this strategy.

Customer Contracts

The Company's surface drilling customer contracts are typically for a term of six (6) to twelve (12) months and its underground drilling customer contracts are typically for a term of one to two years and can be cancelled by the customer on short notice in prescribed circumstances with limited or no amounts payable to the Company. There is a risk that existing contracts may not be renewed or replaced. The failure to renew or replace some or all of these existing contracts and cancellation of existing contracts could have a material adverse effect on the Company's financial performance, financial condition, cash flows and growth prospects. In addition, consolidation by the Company's customers could materially and adversely affect the Company's results of operations and financial condition.

International Expansion and Instability

Expansion internationally entails additional political and economic risk. Some of the countries and areas targeted by the Company for expansion are undergoing industrialization and urbanization and do not have the economic, political or social stability that many developed nations now possess. Other countries have experienced political or economic instability in the past and may be subject to risks beyond the Company's control, such as war or civil disturbances, political, social and economic instability, corruption, nationalization, terrorism, expropriation without fair compensation or cancellation of contract rights, significant changes in government policies, breakdown of the rule of law and regulations and new tariffs, taxes and other barriers. There is a risk that the Company's operations, assets, employees or repatriation of revenue could be impaired or adversely affected by factors related to the Company's international expansion and have a material adverse effect on the financial performance, financial condition, cash flow and growth prospects of the Company.

Operational Risks and Liability

Risks associated with drilling include, in the case of employees, personal injury and loss of life and, in the case of the Company, damage and destruction to property, equipment, release of hazardous substances to the environment and interruption or suspension of drill site operation due to unsafe drill operations. The occurrence of any of these events may have an adverse effect on the Company, including financial loss, key personnel loss, legal proceedings and damage to the Company's reputation.

In addition, poor or failed internal processes, people or systems, along with external events could negatively impact the Company's operational and financial performance. The risk of this loss, known as operational risk, is present in all aspects of the business of the Company, including, but not limited to, business disruptions, technology failures, theft and fraud, damage to assets, employee safety, regulatory compliance issues or business integration issues. The number and significance of the changes and the possibility that the Company may not be able to successfully implement the changes made, may adversely affect the performance of the business and its financial condition, cash flows and growth prospects of the Company.

Currency Exposure

Orbit Garant conducts some of its activities in US dollars, in Chilean Pesos, in GHS and in XOF and is thus exposed to foreign exchange fluctuations. As at June 30, 2019, we had US dollars, in Chilean Pesos, in GHS and in XOF revenue exposures of approximately $2.7, $5.3, $2.4, and $1.8 million respectively in Canadian dollars. This exposure could change in the future and a significant portion of our revenue could potentially be denominated in currencies other than the Canadian dollar, fluctuations of which could cause a negative impact on our financial performance.

Business Interruptions

Business interruptions can occur as a result of a variety of factors, including; regulatory intervention, delays in necessary approvals and permits, health and safety issues or product input supply bottlenecks. In addition, the Company operates in a variety of geographic locations, some of which are prone to inclement weather conditions, natural or other disasters. The occurrence of such conditions or any business interruption could have a material adverse effect on the Company's financial performance, financial condition, cash flows and growth prospects.

Risk to the Company's Reputation

Risks to the Company's reputation could include any negative publicity, whether true or not, and could cause a decline in the Company's customer base and have a material adverse impact on the Company's financial performance, financial condition, cash flows and growth prospects. All risks have an impact on reputation, and as such, reputational risk cannot be managed in isolation from other types of risk. Every employee and representative of the Company is charged with upholding its strong reputation by complying with all applicable policies, legislation and regulations as well as creating positive experiences with the Company's customers, stakeholders and the public.

Corruption, Bribery and Fraud

The Company is required to comply with the Canadian Corruption of Foreign Public Officials Act ("CFPOA") as well as similar applicable laws in other jurisdictions, which prohibit companies from engaging in bribery or other prohibited payments or gifts to foreign public officials for the purpose of retaining or obtaining business. The Company's policies mandate compliance with these laws. However, there can be no assurance that the policies and procedures and other safeguards that the Company has implemented in relation to its compliance with these laws will be effective or that Company employees, agents, suppliers or other industry partners have not engaged or will not engage in such illegal conduct for which the Company may be held responsible. Violations of these laws could disrupt the Company's business and result in a material adverse effect on its business and operations.

Environment, Health and Safety Requirements and Related Considerations

The Company's operations are subject to a broad range of federal, provincial, state and local laws and regulations as well as permits and other approvals, including those relating to the protection of the environment and workers' health and safety governing, among other things, air emissions, water discharges, non-hazardous and hazardous waste (including waste water), storage, handling, disposal and clean-up of dangerous goods and hazardous materials such as chemicals, remediation of releases and workers' health and safety in Canada and elsewhere (the ''Environment, Health and Safety Requirements''). As a result of the Company's operations, it may be involved from time to time in administrative and judicial proceedings and inquiries relating to Environment, Health and Safety Requirements. Future proceedings or inquiries could have a material adverse effect on the Company's business, financial condition and results of operations.

The activities at clients' worksites may involve operating hazards that can result in personal injury and loss of life. There can be no assurance that the Company's insurance will be sufficient or effective under all circumstances or against all claims or hazards to which it may be subject or that it will be able to continue to obtain adequate insurance protection. A successful claim or damage resulting from a hazard for which it is not fully insured could adversely affect the Company's results of operations. In addition, if the Company is seen not to adequately implement health and safety and environmental policies, its relationships with its customers may deteriorate, which may result in the loss of contracts and restrict its ability to obtain new contracts.

Climate Change Risk

The Company operates in various regions and jurisdictions where environmental laws are involving and are not consistent. Several governments or governmental bodies have introduced or are contemplating regulatory changes in response to the potential impact of climate change, such as regulation relating to emission levels. If the current regulatory trend continues, this may result in increased cost as some of the Company's operations. In addition, the physical effect of climate change, such as extreme weather conditions, natural disasters, resource shortages and changing sea levels, could have an adverse financial impact on operations located in the regions where these conditions occur.

Insurance Limits

The Company maintains property, general liability and business interruption insurance. However, there can be no assurance that such insurance will continue to be offered on an economically feasible basis, that all events that could give rise to a loss or liability are insurable, or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of the Company.

Legislative and Regulatory Changes

Changes to any of the laws, rules, regulations or policies affecting the business of the Company would have an impact on the Company's business and may significantly and adversely affect the operations and financial performance of the Company.

Legal and Regulatory Risk

The mining and drilling industries are highly regulated by legal, environmental and health and safety regulations. Failure to comply with such regulations could lead to penalties, including fines or suspension of operations which could have a significant impact on the financial strength and future earnings potential of the Company. Furthermore, the Company's mineral exploration customers are also subject to similar legal, regulatory, health and safety regulations which could materially affect their decision to go ahead with mineral exploration or mine development and thereby indirectly negatively impact the Company.

Cyber-Security Risk

While information systems are integral to supporting the Company's business, due to the nature of the Company's services, it is not considered to be subject to the same level of cyber security risks as companies operating in sectors where sensitive information is at the core of their business. Nevertheless, the Company is potentially exposed to risks ranging from internal human error to uncoordinated individual attempts to gain unauthorised access to its information technology systems, to sophisticated and targeted measures directed at the Company and its systems, clients or service providers. Any such disruptions in the Company's systems or the failure of the systems to operate as expected could, depending on the magnitude of the problem, result in the loss of client information, a loss of current or future business, reputational harm and/or potential claims against the Company, all of which could have an adverse effect on the Company's business, financial condition and operating results. The Company continues to enhance its efforts to mitigate these risks. It invests in technology security initiatives to better identify and address any vulnerability including periodic third-party vulnerability assessments, testing user knowledge of cyber security best practices, and audits of security processes and procedures. In addition, the Company continues to increase the employees' awareness of security policies through ongoing communications.

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 September 18, 2019, Pierre Alexandre, Vice Chairman and Vice President of Corporate Development of the Company, holds or controls, directly or indirectly, approximately 25% of Orbit Garant's outstanding Common Shares. As a result, this shareholder has the ability to 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.

Dividend Payments

Orbit Garant does not expect to pay dividends as it intends to use cash for future growth or debt repayment. In addition, the Credit Agreement places restrictions on the ability of Orbit Garant to declare or pay dividends.

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.

In order to reduce the credit risk, the Company is using insurance coverage from Export Development Canada («EDC») on certain accounts receivable from its customers. The insurance program provides under certain terms and conditions an insurance coverage amount of up to 90% of unpaid accounts. As at June 30, 2019, the amount of the insurance coverage from EDC represents 7% of the accounts receivable (5% as at June 30, 2018).

As at June 30, 2019, 79% (77% as at June 30, 2018) of the trade accounts receivable are aged as current and 2% are impaired (2% as at June 30, 2018).

One major customer represents 15% of the trade accounts receivable as at June 30, 2019 (one major customer represented 20% as at June 30, 2018,).

Two major customers represent 31% of the contract revenue for the year ended June 30, 2019 (for the year ended June 30, 2018, two major customers represented 28% of the contract revenue).

Credit risk also arises from cash and cash equivalents with banks and financial institutions. This risk is limited because the counterparties are mainly Canadian banks with high credit ratings. The Company does not enter into derivatives to manage credit risk.

Interest Rate Risk

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

As at June 30, 2019, the Company has estimated that a 100 basis point increase or decrease in interest rates would have caused a corresponding annual increase or decrease in net earnings (loss) and comprehensive earnings (loss) of $0.2 million ($0.1 million impact in 2018).

Equity Market Risk

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

Fair Value

The fair value of cash and equivalents, trade and other receivable, trade and other payable and balance payable related to business combination is approximately equal to their carrying values due to their short-term maturity.

The fair value of long-term debt approximates its carrying value as it bears interest at a variable rate and has financing conditions similar to those currently available to the Company.

OUTLOOK

While Orbit Garant continues to monitor market conditions in the mining sector, including the lower levels of customer demand relative to calendar 2018, Management is encouraged by the longer-term industry outlook, especially given the recent rally in the price of gold. Orbit Garant is well positioned for increased drilling services demand in the gold sector as it derives approximately 70% of its revenue from gold related projects. In addition, many mining companies are facing declining reserves, particularly in the gold mining industry. Accordingly, increased spending on exploration and new mine development will be required for the industry to remain viable in the long term as the reserves at existing mines are depleted. S&P Global Market Intelligence expects that by 2024 more than 15% of global gold production will come from mines that are not yet in production and forecasts lower global gold production beyond 2022 due to declining reserves.

Orbit Garant derives approximately 70% of its revenue from its Canadian operations. 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 over the next five years. As such, the Company 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 $0.75 US dollars.

Orbit Garant has also established operating subsidiaries in active international mining markets, including Burkina Faso, Chile, Ghana, Guyana and Peru. These international operations provide enhanced market, customer and commodity diversification and have enabled the Company to increase its higher margin specialized drilling activity. In South America, Orbit Garant is currently working on projects in Chile, Guyana and Argentina. In West Africa, the Company is currently working on projects in Burkina Faso and Ghana, and recently expanded its operations in this region with the acquisition of the drilling business of PPI in Burkina Faso.

Management remains focused on maximizing stakeholder value principally by controlling costs, optimizing drill rig utilization, increasing productivity rates, continuing to focus on technology innovation, retaining key personnel, maintaining strong health and safety standards, and evaluating opportunities to further expand Orbit Garant's market presence both in Canada and abroad.

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 productivity rates and improving safety. Orbit Garant currently has 38 drill rigs featuring its computerized monitoring and control technology, all of which are currently deployed on customer projects. These next generation drill rigs have achieved a significant increase in productivity compared to that achieved using conventional drill rigs. Orbit Garant's customers have responded positively to the improved performance and potential of the new drill rigs, which has led to renewals of underground drilling contracts for longer terms.

Orbit Garant will continue to monitor market conditions closely and manage its staff and inventory levels, capital expenditures and balance sheet accordingly. With its sound balance sheet, the Company is well positioned to pursue value-enhancing growth opportunities in Canada and internationally.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Effective October 11, 2018 the Company completed the acquisition of PPI. The results of PPI's operations have been included in these financial statements since the date of acquisition. However, the Company has not completed the review of the internal controls used by PPI. The Company is in the process of integrating the PPI operations and will be expanding its disclosure controls and procedures and internal controls over its financial reporting compliance program to include PPI over the next year. As a result, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have limited the scope of design of disclosure controls and procedures and testing of internal controls over financial reporting to exclude PPI controls, policies and procedures from the June 30, 2019 certification of internal controls. The acquisition date financial information for PPI is included in the discussion regarding the acquisition contained in this MD&A and Note 2 of the audited consolidated financial statements.

The CEO and the CFO of the Company are responsible for establishing and maintaining disclosure controls and procedures (DC&P) for the Company as defined under Multilateral Instrument 52-109 issued by the Canadian Securities Administrators. The CEO and the CFO have designed such DC&P, or caused them to be designed under its supervision, to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure.

As at June 30, 2019, the CEO and CFO evaluated the design and operation of the Company's DC&P. Based on that evaluation, the CEO and CFO concluded that the Company's DC&P was effective as at June 30, 2019.

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.

During Fiscal 2019, Management, including its CEO and CFO, evaluated the existence and design of the Company's ICFR and confirm there were no changes to the ICFR that have occurred during the year which materially affected, or are reasonably likely to materially affect, the Company's ICFR. The Company continues to review and document its disclosure controls and its ICFR, and may, from time to time make changes aimed at enhancing their effectiveness and to ensure that its systems evolve with the business. As of June 30, 2019, an evaluation was carried out, under the supervision of the CEO and CFO, of the effectiveness of the Company's ICFR as defined in NI 52-109. Based on this evaluation, other than restriction mentioned above, the CEO and the CFO concluded that the design and operation of these ICFR were effective.

The evaluations were conducted in accordance with the framework and criteria established in Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), a recognized control model, and the requirements of NI 52-109.

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

Telephone (514) 840-2100
Fax (514) 840-2187
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Orbit Garant Drilling Inc.

Opinion

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

- the consolidated statements of financial position as at June 30, 2019 and 2018
- the consolidated statements of (loss) earnings and comprehensive (loss) earnings for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at June 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

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

Other Information

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

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

KPMG LLP*

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

Montréal, Canada

September 18, 2019

*CPA auditor, CA, public accountancy permit No. A115894

ORBIT GARANT DRILLING INC.
Consolidated Statements of (Loss) Earnings
For the years ended June 30, 2019 and 2018
(in thousands of Canadian dollars, except for data per share)

	Notes	June 30 2019	June 30 2018
		$	$
Contract revenue	22	152,814	173,084
Cost of contract revenue	8	136,527	151,603
Gross profit		16,287	21,481
Expenses			
General and administrative expenses		17,279	15,830
Foreign exchange loss (gain)		707	(292)
Finance costs		2,117	1,710
	8	20,103	17,248
(Loss) earnings before income taxes		(3,816)	4,233
Income tax expense (recovery)	16		
Current		1,558	(12)
Deferred		(1,904)	(239)
		(346)	(251)
Net (loss) earnings		(3,470)	4,484
Net (loss) earnings per share	15		
Basic		(0.09)	0.12
Diluted		(0.09)	0.12

See accompanying notes to consolidated financial statements.

ORBIT GARANT DRILLING INC.

Consolidated Statements of Comprehensive (Loss) Earnings

For the years ended June 30, 2019 and 2018

(in thousands of Canadian dollars)

		June 30 2019	June 30 2018
		$	$
Net (loss) earnings		(3,470)	4,484
Other comprehensive earnings (loss)			
Items that may be reclassified subsequently to net earnings (loss)			
Change in fair value on available-for-sale investments	(Note 10)	-	(200)
Realized loss on available-for-sale investments reclassified to consolidated statement of earnings (loss)		-	(18)
Deferred income tax		-	29
		-	(189)
Cumulative translation adjustments		(839)	52
Other comprehensive (loss), net of income tax		(839)	(137)
Comprehensive (loss) earnings		(4,309)	4,347

See accompanying notes to consolidated financial statements.

ORBIT GARANT DRILLING INC.
Consolidated Statements of Changes in Equity
For the years ended June 30, 2019 and 2018
(in thousands of Canadian dollars)

Year ended June 30, 2019		Share capital	Equity settled reserve	Retained earnings	Accumulated other comprehensive earnings (loss)	Total Shareholders' equity
		$	$	$	$	$
		(Note 15)	(Note 15)			
Balance as at July 1, 2018		57,207	1,208	20,609	(88)	78,936
Impact of adopting IFRS 9	(Note 6)	-	-	(189)	189	-
Adjusted balance as at July 1, 2018		57,207	1,208	20,420	101	78,936
Total comprehensive loss						
Issuance of shares related to a business combination	(Note 2)	1,632	-	-	-	1,632
Net loss		-	-	(3,470)	-	(3,470)
Other comprehensive loss						
Cumulative translation adjustments		-	-	-	(839)	(839)
Other comprehensive loss		-	-	-	(839)	(839)
Transactions with shareholders, recorded directly in equity						
Issuance of shares related to share-based compensation		18	(6)	-	-	12
Share-based compensation	(Note 15)	-	305	-	-	305
Stock options cancelled		-	(21)	21	-	-
Total transactions with shareholders		18	278	21	-	317
Balance as at June 30, 2019		58,857	1,486	16,971	(738)	76,576

Year ended June 30, 2018	Share capital	Equity settled reserve	Retained earnings	Accumulated other comprehensive earnings (loss)	Total Shareholders' equity
	$	$	$	$	$
	(Note 15)	(Note 15)			
Balance as at July 1, 2017	57,130	1,178	15,907	49	74,264
Total comprehensive earnings (loss)					
Net earnings	-	-	4,484	-	4,484
Other comprehensive loss					
Change in fair value on available-for-sale investments, net of deferred income tax	-	-	-	(189)	(189)
Cumulative translation adjustments	-	-	-	52	52
Other comprehensive loss	-	-	-	(137)	(137)
Transactions with shareholders, recorded directly in equity					
Issuance of shares related to share-based compensation	77	(23)	-	-	54
Share-based compensation	-	271	-	-	271
Stock options cancelled	-	(218)	218	-	-
Total transactions with shareholders	77	30	218	-	325
Balance as at June 30, 2018	57,207	1,208	20,609	(88)	78,936

See accompanying notes to consolidated financial statements.

ORBIT GARANT DRILLING INC.
Consolidated Statements of Financial Position
As of June 30, 2019 and June 30, 2018
(in thousands of Canadian dollars)

	Notes	June 30 2019	June 30 2018
		$	$
ASSETS			
Current assets			
Cash and cash equivalents		2,480	4,633
Trade and other receivables	21	36,643	32,503
Inventories	9	43,943	39,419
Income taxes receivable		823	944
Prepaid expenses		1,154	884
		85,043	78,383
Non-current assets			
Loan receivable		-	662
Investments	10	419	542
Property, plant and equipment	11	42,450	39,741
Intangible assets	12	1,000	-
Deferred tax assets	16	5,783	4,010
Total assets		134,695	123,338
LIABILITIES			
Current liabilities			
Trade and other payables		24,744	24,247
Balance payable related to a business combination	2	3,370	-
Income taxes payable		429	-
Current portion of long-term debt and finance leases	13	1,400	812
		29,943	25,059
Non-current liabilities			
Long-term debt and finance leases	13	28,176	19,226
Deferred tax liabilities	16	-	117
		58,119	44,402
EQUITY			
Share capital	15	58,857	57,207
Equity-settled reserve	15	1,486	1,208
Retained earnings		16,971	20,609
Accumulated other comprehensive loss		(738)	(88)
Equity attributable to shareholders		76,576	78,936
Total liabilities and equity		134,695	123,338

APPROVED BY THE BOARD

(signed) Éric Alexandre
Éric Alexandre, Director

(signed) Jean-Yves Laliberté
Jean-Yves Laliberté, Director

See accompanying notes to consolidated financial statements.

ORBIT GARANT DRILLING INC.
Consolidated Statements of Cash Flows
For the years ended June 30, 2019 and 2018
(in thousands of Canadian dollars)

	Notes	June 30 2019	June 30 2018
		$	$
OPERATING ACTIVITIES			
(Loss) earnings before income taxes		(3,816)	4,233
Items not affecting cash			
Depreciation of property, plant and equipment	11	9,698	8,774
Amortization of intangible assets	12	290	-
Gain on disposal of property, plant and equipment	11	(312)	(199)
Gain on disposal of investments	10	-	(18)
Share-based compensation	15	305	271
Finance costs		2,117	1,710
Net change in fair value of investments	10	184	-
		8,466	14,771
Changes in non-cash operating working capital items	17	(5,896)	(3,883)
Income taxes paid		(1,008)	(874)
Finance costs paid		(2,225)	(1,846)
		(663)	8,168
INVESTING ACTIVITIES			
Business combination of Projet Production International BF S.A.	2	(3,357)	-
Acquisition of investments	10	-	(90)
Proceeds from disposal of investments	10	-	30
Acquisition of property, plant and equipment	11	(8,323)	(8,575)
Proceeds from disposal of property, plant and equipment	11	430	459
		(11,250)	(8,176)
FINANCING ACTIVITIES			
Proceeds from repayment of loan receivable	19	675	628
Proceeds from issuance of shares		12	54
Proceeds from factoring		143	22,253
Repayment on factoring		(143)	(22,958)
Proceeds from long-term debt		93,497	88,057
Repayment of long-term debt and finance leases		(83,851)	(84,871)
		10,333	3,163
Effect of exchange rate changes on cash and cash equivalents		(573)	(123)
Increase (decrease) in cash		(2,153)	3,032
Cash and cash equivalents, beginning of year		4,633	1,601
Cash and cash equivalents, end of year		2,480	4,633

See accompanying notes to consolidated financial statements.

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

1. DESCRIPTION OF BUSINESS

Orbit Garant Drilling Inc. (the "Company"), amalgamated under the *Canada Business Corporations Act* , mainly operates a surface and underground diamond drilling business. The Company has operations in Canada, 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%
Orbit Miyuu Kaa Drilling Inc.	49%
Sarliaq-Orbit Garant Inc.	49%
Tumiit Orbit Garant Inc. (since March 6, 2019)	49%

2. BUSINESS COMBINATION

Acquisition of the drilling business of Projet Production International BF S.A.:

On October 11, 2018, the Company acquired the drilling business of Projet Production International BF S.A., based in Burkina Faso for a total purchase price of $8,316 (US$6,400). Through the acquisition, the Company has added 13 surface drills, related support equipment, and existing customer contracts in Burkina Faso. The Company has also retained approximately 100 employees, including experienced drillers and support personnel, who will now be based in Orbit Garant BF S.A.S's offices in Ouagadougou. This acquisition significantly strengthens the presence of the Company in Burkina Faso and the broader West African mineral drilling market, positioning the Company to pursue new growth opportunities.

The Company funded the $8,316 (US$6,400) purchase price through draws on its credit facility and the issuance of common shares of the Company. The cash component of the transaction is $6,684 (US$5,150), with $3,357 (US$2,575) paid on closing, and $3,327 (US$2,575) to be paid 12 months after the closing date. The remaining $1,632 (US$1,250) of the purchase price was satisfied through the issuance of 861,637 common shares at a price of $1.89 per share, from the Company's treasury. The details of the assets acquired amounted approximatly to $2,573 (US$2,000) for inventories, $4,395 (US$3,400) for property, plant and equipment and $1,348 (US$1,000) for intangible assets.

The results of operations of Projet Production International BF S.A. are included in the consolidated financial statements from October 11, 2018.

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

2. BUSINESS COMBINATION (continued)

The fair value of the net assets acquired are as follows:

	$
Inventories	2,573
Property, plant and equipment	4,395
Intangible assets	1,348
Consideration transferred	8,316
Consideration transferred	
Issuance of common shares	1,632
Cash	3,357
Balance payable related to a business combination	3,327
	8,316

Business combination costs

For the year ended June 30, 2019, business combination costs of $1,108 related to the transaction described above were included in the general and administrative expenses in the consolidated statement of earnings (loss).

Impact of business combination on results

It is impracticable to provide reliable financial information relating to actual and pro forma revenues and profit for the above acquisition since the Company already had operating activities with the same clients and similar contracts as the acquired business. As a result splitting out information for the acquired is impracticable.

3. BASIS OF PREPARATION

Basis of presentation

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

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates, assumptions and judgments. It also requires Management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant, are disclosed in Note 5.

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

These consolidated financial statements were approved for issue by the Board of Directors of Orbit Garant Drilling Inc. on September 18, 2019.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

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

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated 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.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at the fair value which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company with the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred. This consideration can be comprised of cash, assets transferred, financial instruments issued, liabilities assumed by the Company to the former owner, or future contingent payments. The identifiable assets and liabilities of the business acquired are recognized at fair value at the acquisition date.

Results of operations of a business acquired are included in the Company's consolidated financial statements from the date of the business combination. Business combination and integration costs are expensed as incurred. Non-controlling interests in an entity acquired are presented in the consolidated statement of financial position within equity, separately from the equity attributable to shareholders in the "Equity" section of the consolidated statement of financial position. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net value of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net value of the acquisition-date amounts of identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held securities in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Foreign currency translation

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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

Asset/Liability	Classification
Cash and equivalents	Amortized cost
Trade and other receivables	Amortized cost
Investments	Fair value through profit or loss
Loan receivable	Amortized cost
Trade and other payables	Amortized cost
Balance payable related to a business combination	Amortized cost
Factoring liabilities	Amortized cost
Long-term debt and finance leases	Amortized cost

Financial assets measured at amortized cost

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

(a) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

(b) The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and/or interest.

Financial assets measured at fair value

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

Financial liabilities measured at amortized cost

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

Financial liabilities measured at fair value

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Amortized cost and effective interest method

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

Cash and cash equivalents

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

Trade and other receivables

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

Employee Benefits

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

Inventories

The Company maintains an inventory of operating supplies, motors, drill rods and drill bits. These inventories are valued at the lower of cost and net realizable value. Net realizable value is determined using the estimated selling price less estimated costs to complete the sale. Cost is determined on the first-in, first-out basis. Used and revised inventories are valued at 50% and 75% of original cost, respectively, to approximate net realizable value. The amount of any write-down of inventories can be reversed when the circumstances that led to the write-down charge in the past no longer exist.

Investments

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

Investment in an associate

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

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

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

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

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

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

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

Intangible assets

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

Customer relationship	3 years

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

Impairment of non-financial assets

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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

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

Income taxes

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

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

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

Financing fees

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

Leases

Property, plant and equipment held under a finance lease are initially recognized at the lesser of the fair value of the asset and the present value of the minimum lease payments. The leased item is then recognized in the same manner as other similar assets held by the Company. The related liability payable to the lessor is recorded as a debt resulting from a finance lease and a finance charge is recognized in net earnings for the duration of the lease.

Operating lease payments are recognized in the consolidated statement of earnings (loss) on a straight-line basis over the period of the lease. Any lease incentives are amortized as a reduction lease expense.

Revenue recognition

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings per share

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

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

Share options

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

5. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

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

A) CRITICAL ACCOUTING ESTIMATES

Inventories

Inventory is measured at the lower of cost and net realizable value. In estimating net realizable values, management takes into account the most reliable evidence available at the time the estimates are made. Net realizable value is determined using the estimated selling price less estimated costs to complete the sale. Used and revised inventories are valued at 50% and 75% of cost, respectively. The amount of the write-down of inventories can be reversed when the circumstances that led to the write-down charge in the past no longer exist.

Business combinations

On initial recognition, the assets and liabilities of the acquired business are included in the consolidated statement of financial position of the Company at their fair values. In measuring fair value, Management uses estimates about future cash flows and discount rates; however, the actual results may vary.

Impairment of non-financial assets

The Company also uses its judgment to determine whether an impairment test must be performed due to the presence of potential impairment indicators. In applying its judgment, the Company relies primarily on its knowledge of its business and the economic environment. As at June 30, 2019, the Company concluded that there were impairment indicators, and it performed an impairment test. No impairment was recognized as a result of this test. Significant management estimates are required to determine the recoverable amount of the cash-generating unit ("CGU") including estimates of fair value of certain assets and selling costs. Differences in estimates could affect whether tangible and intangible assets are in fact impaired and the dollar amount of that impairment. Significant assumptions used by management to determine the fair value of certain assets based on year, model and condition at the date of valuation.

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

Income taxes

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

Deferred income tax assets

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

B) JUDGMENTS

Functional currency

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

6. STANDARDS AND INTERPRETATIONS ADOPTED

The following standards and amendments to existing standards have been adopted by the Company on July 1, 2018:

IFRS 9 – Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment.

The Company has applied IFRS 9 in the current period. The Company has adopted the new standards retrospectively without prior period restatement based on the new classification requirements and the caracteristics of each financial instrument as at July 1, 2018. The following summarizes the classification and measurement changes for the Company's financial assets and financial liabilities as a result of the adoption of IFRS 9:

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

6. STANDARDS AND INTERPRETATIONS ADOPTED (continued)

IFRS 9 – Financial Instruments (continued)

Asset/Liability	Original classification under IAS 39	New classification under IFRS 9
Cash and equivalents	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Investments	Available-for-sale	Fair value through profit or loss
Loan receivable	Loans and receivables	Amortized cost
Trade and other payables	Other liabilities	Amortized cost
Balance payable related to a business combination	Other liabilities	Amortized cost
Factoring liabilities	Other liabilities	Amortized cost
Long-term debt and finance leases	Other liabilities	Amortized cost

The accounting for these instruments and the line item in which they are included in the balance sheet were unaffected by the adoption of IFRS 9 with the exception of the Company's investments, which were reclassified from available-for-sale to financial assets measured at fair value through profit or loss ("FVTPL"). Fair value gains and losses on investments are recognized in general and administrative expenses in net earnings. In accordance with transitional provisions, the Company has reflected the retrospective impact of the adoption of IFRS 9 due to change in classification for investments as an adjustment to opening components of equity as at July 1, 2018.

			July 1, 2018
Equity	As presented	Restatements	As restated
	$	$	$
Retained earnings	20,609	(189)	20,420
Accumulated other comprehensive earnings (loss)	(88)	189	101
Impact on equity	20,521	-	20,521

The adoption of the new expected credit loss model for calculating impairment did not have any meaningful impact on the measurement of financial assets measured at amortised cost.

IFRS 15 – Revenue from Contracts with Customers

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRS. The new standard is effective for annual periods beginning on or after January 1, 2018. IFRS 15 replaces IAS 11, *Construction Contracts* , IAS 18, *Revenue* , IFRIC 13, *Customer Loyalty Programmes* , IFRIC 15, *Agreements for the Construction of Real Estate* , IFRIC 18, *Transfer of Assets from Customers* , and SIC 31, *Revenue – Barter Transactions Involving Advertising Services* .

The Company has applied IFRS 15 in the current period. The Company has adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognized at the date of initial application (i.e. July 1, 2018). The Company used the practical expedient that allows an entity to recognize revenue in the amount to which it has a right to invoice, since the Company has a right to consideration from a customer in an amount that corresponds directly to the value to the customer of the Company’s performance completed to date. As such, there has been no change in the way the Company recognizes revenue. The adoption of IFRS 15 did not have a material impact on the Company’s consolidated financial statements. The Company believes that the categories used in the Segmented information in Note 22 are the same categories necessary for disaggregation of revenue.

6. STANDARDS AND INTERPRETATIONS ADOPTED (continued)

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
The amendments provide requirements on the accounting for (i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. The adoption of the Amendments to IFRS 2 did not have an impact on the Company's consolidated statements.

IFRIC Interpretation 22 – Foreign Currency Transaction and Advance Consideration
IFRIC 22 clarifies that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset and deferred income liability, and that if there are multiple payments or receipt in advance, a date of transaction is established for each payment or receipt. IFRIC Interpretation 22 is effective from the year beginning January 1, 2018. The adoption of IFRIC Interpretation 22 did not have an impact on the Company's consolidated financial statements.

7. RECENT ACCOUNTING PRONOUNCEMENTS

New standards and interpretations not yet adopted:

IFRS 16 – Leases
The new standard is effective for annual periods beginning on or after January 1, 2019. Effective July 1, 2019, the Company will adopt IFRS 16 using the modified retrospective approach, IFRS 16 set out new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard provides lessees with a single accounting model for all leases and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying assets is of low value. In particular, lessees will be required to recognize a right-of-use asset representing its right to use the underlying asset and lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease will be initially measured on a present value basis.

As a result of adopting IFRS 16, the Company will recognize an increase of both assets and liabilities of the consolidated statements of financial position as well as a decrease to operating expenses (for the removal of rent expense for leases), an increase to depreciation, amortization and write-off (due to depreciation of the right-of-use asset) and an increase to finance cost (due to accretion of the lease liability). The Company is still evaluating the impact of the adoption of this standard on its consolidated financial statements.

IFRIC 23 – Uncertainty over Income Tax Treatments
This interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The interpretation requires an entity to (i) contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; (ii) reflect an uncertainty in the amount of income tax payable (recoverable) if it is probable that it will pay (or recover) an amount for the uncertainty; and (iii) measure a tax uncertainty based on the most likely amount or expected value depending on whichever method better predicts the amount payable (recoverable). The Company does not expect IFRIC 23 to have a material impact on the consolidated financial statements.

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

8. EXPENSES BY NATURE

Detail of the depreciation and amortization expenses

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

	June 30 2019	June 30 2018
	$	$
Cost of contract revenue	8,785	7,900
General and administrative expenses	1,203	874
Total depreciation and amortization	9,988	8,774

Principal expenses by nature

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

	June 30 2019	June 30 2018
	$	$
Depreciation and amortization	9,988	8,774
Employee benefits expense	83,397	87,187
Cost of inventories	32,395	37,767
Other expenses	30,850	35,123
Total cost of contract revenue, general and administrative expenses, foreign exchange loss (gain) and finance costs	156,630	168,851
Cost of contract revenue	136,527	151,603
General and administrative expenses, foreign exchange loss (gain) and finance costs	20,103	17,248
Total cost of contract revenue, general and administrative expenses, foreign exchange loss (gain) and finance costs	156,630	168,851

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

9. INVENTORIES

	June 30 2019	June 30 2018
	$	$
Spare parts, net	14,718	13,067
Consumables, net	27,334	25,000
Other	1,891	1,352
	43,943	39,419

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

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

	June 30 2019	June 30 2018
	$	$
	32,395	37,767

During the year, an amount of $397 (2018: $604) has been accounted for as a write-down of inventories as a result of net realizable value being lower than cost. As at June 30, 2019 and 2018, no amount has been accounted as a reversal of a write-down of inventory.

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

10. INVESTMENTS

	June 30 2019	June 30 2018
	$	$
Investments in public companies, beginning of the year	542	682
Acquisition of investments	-	90
Conversion of trade receivables	61	-
Proceeds from disposal of investments	-	(30)
Change in fair value of available-for-sale investments	-	(200)
Change in fair value of investments measured at fair value through profit or loss	(184)	-
Investments in public companies, end of the year	419	542

The Company holds common shares in publicly traded companies. These shares are classified as fair value through profit or loss and are reported at fair value, reflecting their quoted share price at the reporting date. The original cost is $486 ($425 as at June 30, 2018). There is no gain on disposal of investments for the year ended June 30, 2019. For the year ended June 30, 2018, the gain on disposal of investments totalling $18 is included in general and administrative expenses.

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

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and components	Drilling equipment	Vehicles	Other	Total
Cost	$	$	$	$	$	$
Balance as at July 1, 2018	841	10,449	79,189	17,474	3,424	111,377
Additions	-	240	4,473	3,156	454	8,323
Disposals	(37)	-	(536)	(765)	-	(1,338)
Write-offs	-	-	(838)	(119)	-	(957)
Business combination (Note 2)	-	-	4,067	135	193	4,395
Effect of movements in exchange rates	-	(4)	(899)	(54)	(13)	(970)
Balance as at June 30, 2019	804	10,685	85,456	19,827	4,058	120,830
Accumulated Depreciation						
Balance as at July 1, 2018	-	3,900	53,455	11,810	2,471	71,636
Depreciation	-	622	6,329	2,356	391	9,698
Disposals	-	-	(576)	(733)	-	(1,309)
Write-offs	-	-	(777)	(91)	-	(868)
Effect of movements in exchange rates	-	(2)	(718)	(49)	(8)	(777)
Balance as at June 30, 2019	-	4,520	57,713	13,293	2,854	78,380

	Land	Buildings and components	Drilling equipment	Vehicles	Other	Total
Cost	$	$	$	$	$	$
Balance as at July 1, 2017	841	10,415	74,166	16,371	2,971	104,764
Additions	-	76	5,721	2,319	459	8,575
Disposals	-	(47)	(670)	(710)	-	(1,427)
Write-offs	-	-	(829)	(413)	-	(1,242)
Effect of movements in exchange rates	-	5	801	(93)	(6)	707
Balance as at June 30, 2018	841	10,449	79,189	17,474	3,424	111,377
Accumulated Depreciation						
Balance as at July 1, 2017	-	3,347	48,250	10,976	2,177	64,750
Depreciation	-	600	5,906	1,979	289	8,774
Disposals	-	(47)	(432)	(705)	-	(1,184)
Write-offs	-	-	(812)	(413)	-	(1,225)
Effect of movements in exchange rates	-	-	543	(27)	5	521
Balance as at June 30, 2018	-	3,900	53,455	11,810	2,471	71,636
June 30, 2018:						
Net book value	841	6,549	25,734	5,664	953	39,741
Portion related to finance leases	-	-	741	91	-	832
June 30, 2019:						
Net book value	804	6,165	27,743	6,534	1,204	42,450
Portion related to finance leases	-	-	42	119	-	161

The gain on disposal of property, plant and equipment totalling $312 for the year ended June 30, 2019 (a gain of $199 for the year ended June 30, 2018) is included in cost of contract revenue.

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

12. INTANGIBLE ASSETS

Customer relationship	Cost	Accumulated amortization	Total
	$	$	$
Balance as at July 1, 2018	-	-	-
Business combinaition (Note 2)	1,348	-	1,348
Amortization	-	(290)	(290)
Effect of movements in exchange rates	(58)	-	(58)
Balance as at June 30, 2019	1,290	(290)	1,000
Net book value:			
June 30, 2019			1,000

13. LONG-TERM DEBT AND FINANCE LEASES

	June 30 2019	June 30 2018
	$	$
Loan authorized for a maximum amount of $35,000 ($30,000 before December 12, 2018), bearing interest at prime rate plus 2.00%, effective rate as at June 30, 2019 of 5.95% (June 30, 2018: interest at prime rate plus 2.00%, effective rate of 5.45%), maturing in November 2021, secured by a first rank hypothec on the universality of all present and future assets (a) (b) (c)	25,041	17,954
Loan authorized for an amount of $2,500, bearing interest at prime rate plus 4.50%, effective rate as at June 30, 2019 of 8.45% (June 30, 2018: bearing interest at prime rate plus 4.50%, effective rate of 7.95%), payable in monthly instalments of $52 as from June 2017, maturing in May 2021, secured by a second rank hypothec on the universality of all present and future assets (b)	1,192	1,813
Loan authorized for an amount of $6,740 (US$5,150), bearing interest at prime rate plus 2.75%, effective rate as at June 30, 2019 of 8.25%, payable in monthly instalments of $59 (US$45) as from May 2019, maturing in January 2024, secured by a third rank hypothec on the universality of all present and future assets (d)	3,192	-
Finance leases, bearing interest between 4.50% and 5.99% (June 30, 2018: 3.34% and 5.99%), maturing in July 2021	151	271
	29,576	20,038
Current portion	(1,400)	(812)
	28,176	19,226

13. LONG-TERM DEBT AND FINANCE LEASES (continued)

(a) The rate is variable based on the quarterly calculation of a financial ratio and can vary from prime rate plus 0.50% to 2.25%.

(b) An unamortized amount of $286 ($178 as at June 30, 2018), representing financing fees, has been netted against the long-term debt. This amount is being amortized to earnings over the term of the debt, using the effective interest method.

(c) On June 28, 2019, the Company signed an amendment to the Third Amended and Restated Credit Agreement with National Bank of Canada, consisting of a revolving credit facility in the amount of $35,000 along with a revolving credit facility in an unused amount of US$5,000 as at June 30, 2019, that will expire November 2, 2021.

(d) On December 20, 2018, the Company entered into a loan agreement for a term loan in a principal amount of up to US$5,150. The initial drawdown of US$2,575 received on January 21, 2019 was used to reduce the credit facility described above.

Under the terms of the long-term debt agreements, the Company must satisfy certain restrictive covenants as to minimum financial ratios (Note 14). As at June 30, 2019, the Company was compliant with its financial covenants (June 30, 2018: the Company was compliant with its financial covenants).

As at June 30, 2019, the prime rate in Canada was 3.95% for Canadian loans (3.45% as at June 30, 2018) and the prime rate in United States was 5.50% for US loans (5.50% as at June 30, 2018).

As at June 30, 2019, principal payments required in the next years are as follows:

	Loan	Finance lease	Total
	$	$	$
Within one year	1,347	53	1,400
Later than one year and not later than five years	28,364	98	28,462
	29,711	151	29,862

Minimum lease payments are as follows:

	Minimum lease payments	Present value of minimum lease payments	
		June 30 2019	June 30 2018
	$	$	$
Within one year	56	53	187
Later than one year and not later than five years	99	98	84
	155	151	271
Less: future finance charges	(4)	-	-
Present value of minimum lease payments	151	151	271

Long-term debt and finance leases by currency and by term are as follows:

As at June 30, 2019 $000s	Total	Within one year	Later than one but not later than five years
	$	$	$
CAN	26,371	665	25,706
US (US$2,439)	3,192	722	2,470
Chilean Pesos (CLP6,960)	13	13	-
	29,576	1,400	28,176

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

13. LONG-TERM DEBT AND FINANCE LEASES (continued)

Reconciliation of movements of long-terme debt and finance leases to cash flows arising from financing activities:

	2019	2018
	$	$
Balance on July 1	20,038	16,988
Net increase in the revolving credit facility	7,200	4,522
Increase in other long-term debts and finance leases	7,506	1,635
Repayment of other long-term debt and finance leases	(5,051)	(2,971)
Amortization of transaction costs related to loans	95	73
Transaction costs related to loans	(203)	(209)
Impact of the change in foreign exchange rates on the US dollar debt	(9)	-
Balance on June 30	29,576	20,038

14. CAPITAL MANAGEMENT

The Company includes long-term debt and finance leases, balance payable related to a business combination, share capital, equity settled reserve, retained earnings, accumulated other comprehensive loss and cash and equivalents in its definition of capital.

The Company's capital structure is as follows:

	June 30 2019	June 30 2018
	$	$
Long-term debt and finance leases	29,576	20,038
Balance payable related to a business combination	3,370	-
Share capital	58,857	57,207
Equity settled reserve	1,486	1,208
Retained earnings	16,971	20,609
Accumulated other comprehensive loss	(738)	(88)
Cash and equivalents	(2,480)	(4,633)
	107,042	94,341

The Company's objective when managing its capital structure is to maintain financial flexibility in order to i) preserve access to capital markets; ii) meet financial obligations; and iii) finance internally generated growth and potential new acquisitions. To manage its capital structure, the Company may adjust spending, issue new shares, issue new debt or repay existing debts.

Under the terms of certain of the Company's debt agreements, the Company must satisfy certain financial covenants, such as Senior debt to earnings before income taxes, interest, depreciation and amortization ratio, Senior debt to capitalization ratio and fixed charge coverage ratio. Such agreements also limit, among other things, the Company's ability to incur additional indebtedness, create liens, engage in mergers or acquisitions and make dividend and other payments. As at June 30, 2019, as mentioned in Note 13, the Company complied with its covenants (June 30, 2018: 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.

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

15. SHARE CAPITAL

Authorized, an unlimited number of common and preferred shares:

Common shares, participating and voting, without nominal or par value

Preferred shares rights privileges, restrictions and conditions must be adopted before their issuance by a resolution of the Board of Directors of the Company.

	June 30, 2019		June 30, 2018	
Common shares	Number of shares	$	Number of shares	$
Balance, beginning of the year	36,147,119	57,207	36,094,919	57,130
Shares issued:				
Business combination (Note 2)	861,637	1,632	-	-
For share options exercised	13,000	18	52,200	77
Balance, end of the year	37,021,756	58,857	36,147,119	57,207

Net earnings (loss) per share

Diluted net earnings (loss) per common share were calculated based on net earnings (loss) divided by the average number of common shares outstanding using the treasury shares method. For 2019, share options are not included in the computation of diluted net loss per share as their inclusion would be anti-dilutive.

Net earnings (loss) per share - basic		June 30 2019		June 30 2018
Net earnings (loss) attributable to common shareholders	$	(3,470)	$	4,484
Weighted average basic number of common shares outstanding		36,768,700		36,121,152
Net earnings (loss) per share - basic	$	(0.09)	$	0.12

Net earnings (loss) per share - diluted		June 30 2019		June 30 2018
		$		$
Net earnings (loss) attributable to common shareholders	$	(3,470)	$	4,484
Weighted average basic number of common shares outstanding		36,768,700		36,121,152
Adjustment to average number of common shares - share options		-		720,732
Weighted average diluted number of common shares outstanding		36,768,700		36,841,884
Net earnings (loss) per share - diluted	$	(0.09)	$	0.12

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

15. SHARE CAPITAL (continued)

2008 share option plan

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

The aggregate number of common shares which may be issued from treasury upon the exercise of options under the 2008 Share Option Plan shall not exceed 10% of the issued and outstanding common shares. The number of common shares which may be reserved for issuance pursuant to options granted under the option plan, together with common shares reserved for issuance from treasury under any other employee-related plan of the Company, or options for services granted by the Company to any one person, shall not exceed 5% of the then aggregate issued and outstanding common shares.

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

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

	June 30, 2019		June 30, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Outstanding at the beginning of the year	2,496,500	1.48	2,336,500	1.35
Granted during the year	500,000	1.73	490,000	2.10
Exercised during the year [(a)]	(13,000)	0.95	(52,200)	1.03
Cancelled during the year	(23,000)	1.96	(277,800)	1.59
Outstanding at end of the year	2,960,500	1.52	2,496,500	1.48
Exercisable at end of the year	1,610,768	1.43	1,150,900	1.43

(a) For the year ended June 30, 2019, the weighted average share price at the date of exercise was $1.30 (for the year ended June 30, 2018: $2.11).

On December 5, 2018, 500,000 share options have been granted to employees and directors giving the option to purchase a common share for an exercice price of $1.73 per share which represents the fair value of a common share at the date of the grant. These options have a life of 5 years and will vest at a rate of 33% per annum commencing 12 months after the date of the grant.

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

15. SHARE CAPITAL (continued)

The following table summarizes information on share options outstanding as at June 30, 2019:

Range of exercise price $	Outstanding at June 30, 2019	Weighted average remaining life (years)	Weighted average exercise price $	Exercisable at June 30, 2019	Weighted average exercise price $
0.50 - 1.49	1,191,500	2.60	0.87	927,100	0.91
1.50 - 2.49	1,766,500	3.34	1.95	681,168	2.11
3.50 - 4.49	2,500	0.37	4.00	2,500	4.00
	2,960,500			1,610,768	

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

	Granted in December 2018	Granted in December 2017
Risk-free interest rate	2.41%	1.62%
Expected life (years)	3	3
Expected volatility (based on historical volatility)	39.77%	40.07%
Expected dividend yield	0%	0%
Fair value of options granted	$0.55	$0.66

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

	June 30 2019	June 30 2018
	$	$
Expense related to share-based compensation	305	271

16. INCOME TAXES

Income tax expense recovery comprises the following:

	June 30 2019	June 30 2018
Current tax	$	$
Current year	1,623	178
Prior years adjustments	(65)	(190)
	1,558	(12)
Deferred tax		
Current year	(1,891)	(236)
Prior years adjustements	(13)	(3)
	(1,904)	(239)
	(346)	(251)

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

16. INCOME TAXES (continued)

The tax rates prescribed by the applicable laws were at 26.65% in 2019 and at 26.75% in 2018.

	June 30 2019	June 30 2018
	$	$
Earnings (loss) before income taxes	(3,816)	4,233
Statutory rates	26.65%	26.75%
Income taxes based on statutory rates	(1,017)	1,132
Increase (decrease) of income taxes due to the following:		
Non-deductible expenses	46	225
Non-deductible share-based compensation expense	81	73
Difference of income tax rates between territories	29	21
Effect of corporate tax rates modification	-	(19)
Withholdings taxes	352	175
Income tax assets unrecognized	250	(1,599)
Non-taxable portion of capital gain	-	(1)
Prior years adjustments	(78)	(193)
Other	(9)	(65)
Total income tax recovery	(346)	(251)

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

	July 1 2018	Recognized in statement of earnings (loss)	Other	June 30 2019
	$	$	$	$
Deferred income tax assets:				
Intangible assets	131	(92)	-	39
Loss carried forward	4,140	2,161	-	6,301
Non-deductible provisions	982	(41)	-	941
Total deferred income tax assets	5,253	2,028	-	7,281
Deferred income tax liabilities:				
Investments	6	(6)	-	-
Property, plant and equipment	1,354	144	-	1,498
Total deferred income tax liabilities	1,360	138	-	1,498
Net deferred income tax assets	3,893	1,890	-	5,783

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

16. INCOME TAXES (continued)

	July 1 2017	Recognized in statement of earnings (loss)	Other	June 30 2018
	$	$	$	$
Deferred income tax assets:				
Intangible assets	50	81	-	131
Loss carried forward	4,635	(495)	-	4,140
Non-deductible provisions	99	883	-	982
Total deferred income tax assets	4,784	469	-	5,253
Deferred income tax liabilities:				
Investments	30	(6)	(18)	6
Property, plant and equipment	1,118	236	-	1,354
Total deferred income tax liabilities	1,148	230	(18)	1,360
Net deferred income tax assets	3,636	239	18	3,893

As presented in the consolidated statements of financial position:

	June 30 2019	June 30 2018
	$	$
Deferred tax assets	5,783	4,010
Deferred tax liabilities	-	(117)
	5,783	3,893

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

	Burkina Faso
	$
June 30, 2024	606,000

17. ADDITIONAL INFORMATION RELATING TO THE STATEMENTS OF CASH FLOWS

Changes in non-cash operating working capital items:

	June 30 2019	June 30 2018
	$	$
Trade and other receivables	(4,214)	(8,329)
Inventories	(1,951)	(694)
Prepaid expenses	(270)	(126)
Trade and other payables	539	5,266
	(5,896)	(3,883)

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

18. COMMITMENTS AND GUARANTEES

Commitments

The Company has entered into operating lease agreements expiring in 2020 which call for lease payments of $16 for the rental of vehicles. The Company has also entered into lease agreements for offices expiring between 2020 and 2029 for minimum lease payments of $2,421. None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions. The minimum lease payments under these lease agreements for the next five and subsequent years are detailed as follows:

	$
2020	712
2021	420
2022	230
2023	185
2024	165
Subsequent years	725

Lease payments recognized as an expense during the year amount to $6,490 (year ended June 30, 2018: $8,837). This amount consists of minimum lease payments. No sublease payments or contingent rent payments were made or received. No sublease income is expected as all assets held under lease agreements are used exclusively by the Company.

Guarantees

As at June 30, 2019, the Company issued some bank guarantees in favor of customers for a total amount of $1,734 (year ended June 30, 2018: $1,090), maturing between August 2019 and March 2020. For the year ended June 30, 2019, the Company has not made any payments in connection with these guarantees.

19. 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.

On February 28, 2017, the Company granted a loan maturing not later than February 28, 2019, for the amount of $1,237 to the President and Chief Executive Officer in connection with the exercise of his options to purchase 942,000 shares of Orbit Garant Drilling Inc. The loan bore interest at the rate of 4% annually and was secured by a pledge of shares and a guarantee from 6705570 Canada Inc. On December 15, 2017, the President and Chief Executive Officer repaid an amount of $628 and on December 19, 2018, he repaid the balance of the loan and accrued interest for an amount of $675.

During the years ended June 30, 2019 and 2018, the Company entered into the following transactions with its related companies and with persons related to directors:

	June 30 2019	June 30 2018
	$	$
Revenues	266	283
Expenses	151	131

As at June 30, 2019, an amount of $59 was receivable resulting from these transactions (June 30, 2018: $769).

19. RELATED AND ASSOCIATE PARTY TRANSACTIONS (continued)

Transactions with associate parties

During the years ended June 30, 2019 and 2018, the Company entered into the following transactions with its associate parties:

	June 30 2019	June 30 2018
	$	$
Revenues	22,645	9,099

As at June 30, 2019, trade and other receivables included an amount receivable of $1,672 from one of the Company's associates (June 30, 2018: $1,454).

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.

20. KEY MANAGEMENT COMPENSATION

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

	June 30 2019	June 30 2018
	$	$
Salaries and fees	1,877	1,734
Share-based compensation	200	236
	2,077	1,970

21. 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.

Currency risk

The Company realizes a part of its activities in US dollars (US $), in Chiliean Pesos (CLP), in Ghanian cedi (GHS cedi) and in West African Francs (XOF). The Company's exposure to currency risk on its consolidated financial statements was as follows as at June 30, 2019:

	US $	CLP	GHS cedi	XOF
	$000s	$000s	000s	000s
Cash and equivalents	880	197,344	130	223,581
Trade receivables	1,777	2,961,014	8,420	2,180,876
Income tax receivable (payable)	72	(107,842)	2,496	(95,252)
Accounts payable and accrued liabilities	(106)	(299,847)	(946)	(1,572,268)
Current portion of long-term debt and finance leases	(542)	-	-	-
Net balance exposure	2,081	2,750,669	10,100	736,937
Equivalent in Canadian dollars	2,725	5,309	2,425	1,671

21. FINANCIAL INSTRUMENTS (continued)

Currency risk (continued)

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

	US $	CLP	GHS cedi	XOF
Increase in net income in Canadian dollars	199	388	177	122

The Company's exposure to currency risk on its consolidated financial statements was as follows as at June 30, 2018:

	US $	CLP	GHS cedi	XOF
	$000s	$000s	000s	000s
Cash and equivalents	522	832,880	625	137,871
Trade receivables	1,258	2,907,515	4,550	608,227
Income tax receivable	67	215,194	809	25,877
Accounts payable and accrued liabilities	(78)	(568,563)	(45)	(115,076)
Net balance exposure	1,769	3,387,026	5,939	656,899
Equivalent in Canadian dollars	2,329	6,794	1,628	1,556

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

	US $	CLP	GHS cedi	XOF
Increase in net income in Canadian dollars	170	465	103	109

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.

In order to reduce the credit risk, the Company is using insurance coverage from Export Development Canada ("EDC") on certain accounts receivable from its customers. The insurance program provides under certain terms and conditions an insurance coverage amount of up to 90% of certain accounts receivable. As at June 30, 2019, the amount of the insurance coverage from EDC represents 7% of the accounts receivable (5% as at June 30, 2018).

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

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

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

21. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

The aging of trade receivable balances and the allowance for doubtful accounts as at June 30, 2019 and June 30, 2018 were as follows:

	June 30 2019	June 30 2018
	$	$
Current	28,923	24,701
Past due 0-30 days	3,346	3,454
Past due more than 30 days	4,303	3,798
Total trade receivables	36,572	31,953
Less: allowance for doubtful accounts	899	727
	35,673	31,226

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

	June 30 2019	June 30 2018
	$	$
Balance at beginning of year	727	525
Change in allowance, other than write-offs and recoveries	269	240
Write-offs of accounts receivable	(150)	-
Recoveries	53	(38)
Balance at end of year	899	727

As at June 30, 2019, 79% (June 30, 2018: 77%) of the trade and other receivables are aged as current and 2% are impaired (June 30, 2018: 2%).

One major customer represents 15% of the trade accounts receivable as at June 30, 2019 (June 30, 2018, one major customer represents 20% of these accounts).

Two major customers represent 31% of the contract revenue for the year ended June 30, 2019 (year ended June 30, 2018, two major customers represent 28%).

Credit risk also arises from cash and cash equivalents with banks and financial institutions. This risk is limited because the counterparties are mainly Canadian banks with high credit ratings. The risk is limited for the loan receivable because it is secured by a pledge of Company's shares.

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

Interest rate risk

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

As at June 30, 2019, the Company has estimated that a 100 basis point increase or decrease in interest rates would have caused a corresponding annual increase or decrease in net earnings (loss) and comprehensive earnings (loss) of $217 (June 30, 2018, $146).

Equity market risk

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

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

21. FINANCIAL INSTRUMENTS (continued)

Fair value

The fair value of cash and equivalents, trade and other receivables, trade and other payables and balance payable related to a business combination is approximately equal to their carrying values due to their short-term maturity.

The fair value of long-term debt approximates its carrying value as it bears interest at a variable rate and has financing conditions similar to those currently available to the Company.

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

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

As at June 30, 2019, 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 June 30, 2019	Carrying value	Fair value	Level 1	Level 2	Level 3
	$	$	$	$	$
Financial assets measured at amortized cost					
Cash and cash equivalents	2,480				
Trade and other receivables	36,643				
Financial assets measured at fair value					
Investments	419	419	419		
Financial liabilities measured at amortized cost					
Trade and other payables	24,744				
Balance payable related to a business combination	3,370				
Long-term debt and finance leases	29,576				

As at June 30, 2018	Carrying value	Fair value	Level 1	Level 2	Level 3
	$	$	$	$	$
Financial assets measured at amortized cost					
Cash and cash equivalents	4,633				
Trade and other receivables	32,503				
Financial assets measured at fair value					
Investments	542	542	542		
Financial liabilities measured at amortized cost					
Trade and other payables	24,247				
Long-term debt and finance leases	20,038				

There were no transfers of amounts between Level 1, Level 2 and Level 3 financial instruments for the year ended June 30, 2019.

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

21. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

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

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

The Company enters into receivable purchase agreements (commonly referred to as "factoring agreements") with different banks as part of its normal working capital financing. The Company receives 100% of the value of the specific sales invoice less a charge between 0.46% and 0.52%. As at June 30, 2019 and 2018, there were no amounts included in the trade receivables related to factored accounts.

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

				As at June 30, 2019
	Total	0 - 1 year	2 - 3 years	4 - 5 years
	$	$	$	$
Trade and other payables	24,744	24,744	-	-
Balance payable related to a business combination	3,370	3,370	-	-
Long-term debt	29,711	1,347	27,340	1,024
Finance lease	151	53	98	-
	57,976	29,514	27,438	1,024

				As at June 30, 2018
	Total	0 - 1 year	2 - 3 years	4 - 5 years
	$	$	$	$
Trade and other payables	24,247	24,247	-	-
Long-term debt	19,945	625	19,320	-
Finance lease	271	187	84	-
	44,463	25,059	19,404	-

22. 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.

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

22. SEGMENTED INFORMATION (continued)

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

	June 30 2019	June 30 2018
Contract revenue	$	$
Canada	109,465	120,887
International [1]	43,349	52,197
	152,814	173,084
Earnings (loss) from operations		
Canada	(2,914)	6,302
International	6,403	3,078
	3,489	9,380
General and corporate expenses [2]	5,188	3,437
Finance costs	2,117	1,710
Income tax recovery	(346)	(251)
	6,959	4,896
Net earnings (loss)	(3,470)	4,484
[1] The International operating segment included Chilean revenue as follows :	26,113	41,577

[2] General and corporate expenses include expenses for corporate offices, share options and certain unallocated costs.

	June 30 2019	June 30 2018
Depreciation and amortization	$	$
Canada	5,925	5,484
International	2,860	2,416
Total depreciation and amortization included in earnings (loss) from operations	8,785	7,900
Unallocated and corporate assets	1,203	874
Total depreciation and amortization	9,988	8,774

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

22. SEGMENTED INFORMATION (continued)

	As at June 30, 2019	As at June 30, 2018
	$	$
Identifiable assets		
Canada	92,307	85,864
Chile	15,486	19,824
International - Other	26,902	17,650
	134,695	123,338
Property, plant and equipment		
Canada	29,567	29,789
Chile	4,286	4,914
International - Other	8,597	5,038
	42,450	39,741
Intangible assets		
International - Other	1,000	-

	June 30 2019	June 30 2018
	$	$
Non-current assets acquisitions		
Canada	6,757	7,238
International	6,783	911
Unallocated and corporate assets	526	426
	14,066	8,575

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Directors

Paul Carmel (1, 2)
Chair of the Board of Directors

William N. Gula (1, 2*)
Senior Advisor, Morrison Park Advisors, and
Partner, Hansell LLP

Jean-Yves Laliberté (1*, 2)
Corporate Director and Consultant

Pierre Alexandre
Vice Chair and Vice President of Corporate Development,
Orbit Garant Drilling Inc.

Eric Alexandre
President and Chief Executive Officer, Orbit Garant Drilling Inc.

1 Member of Audit Committee.
2 Member of Corporate Governance and Compensation Committee.
* Denotes Committee Chair.

Officers

Eric Alexandre
President and Chief Executive Officer

Pierre Alexandre
Vice Chairman and Vice President of Corporate Development

Alain Laplante
Vice President and Chief Financial Officer

Head Office
3200, boul. Jean-Jacques Cossette
Val-d'Or, Quebec
J9P 6Y6
T: 866-824-2707
F: 819-824-2195
www.orbitgarant.com

Stock Exchange Listing
Toronto Stock Exchange
Trading Symbol: OGD

Common Shares Outstanding
37,021,756 (as at June 30, 2019)

Investor Relations
Alain Laplante
Tel: 819-824-2707
Email: investors@orbitgarant.com

Bruce Wigle
Tel: 647-496-7856
Email: investors@orbitgarant.com

Transfer Agent and Registrar
AST Trust Company (Canada)
2001 Robert-Bourassa Blvd., Suite 1600
Montreal, QC
H3A 2A6
Tel: 1-800-387-0825

General Counsel
Goodmans LLP
Gowling WLG (Canada) LLP

Auditors
KPMG LLP

Annual Meeting
Wednesday, December 4, 2019
Hôtel Le Crystal
1100, de la Montagne Street
Drummond Room
Montreal, Quebec
H3G 0A1
The meeting will commence at 10:00 a.m. (ET)

FORAGE ORBIT GARANT DRILLING

CONTACT

Should you have any questions regarding Orbit Garant Drilling and its operations, please do not hesitate to contact us at one of our offices listed below. It will be our pleasure to assist you and we look forward to working with you to address your specific needs.

HEAD OFFICE

Orbit Garant Drilling Inc.
3200 Jean-Jacques Cossette Blvd.
Val-d'Or (Québec)
J9P 6Y6
Canada
T: 819-824-2707
T: 866-824-2707
F: 819-824-2195
info@orbitgarant.com

CANADA

QUEBEC

Orbit Garant Drilling Services Inc.
3200 Jean-Jacques Cossette Blvd.
Val-d'Or (Québec)
J9P 6Y6
Canada
T : 819 824-2707
T: 866 824-2707
F : 819 824-1595

Soudure Royale Concept
3200 Jean-Jacques Cossette Blvd.
Val-d'Or (Québec)
J9P 6Y6
Canada
T : 819 825-5399
F : 819 825-7088

Orbit Garant Drilling Services Inc.
1905 Rideau Blvd.
Rouyn-Noranda (Québec)
J0Z 1Y1
Canada
T: 819 824-2707
F: 819 824-1595

ONTARIO

Orbit Garant Drilling Services Inc.
90 Red Deer Lake Road North
Wahnapitae (Ontario)
P0M 3C0
Canada
T: 705 694-5959
F: 705 694-4784

Orbit Garant Drilling Services Inc.
3661 Mount Albert Road
R.R. #1, Sharon (Ontario)
L0G 1V0
Canada
T: 905 478-2243
F: 905 478-2249

NEW BRUNSWICK

Orbit Garant Drilling Services Inc.
398 Dover Road
Dieppe (New Brunswick)
E1A 7L6
Canada
T: 506 853-9131
F: 506 856-4570

ALBERTA

Drift Exploration Drilling Inc.
803 9 Ave SE
High River (Alberta)
T1V 1K5
Canada
T: 403 601-4374
F: 403 652-3238

UNITED STATES

NEVADA

Drift Exploration Drilling Inc.
6120 Pedroli Lane
Winnemucca (Nevada)
89445
United States
T: 403 601-4374
F: 403 652-3238

SOUTH AMERICA

CHILE

Orbit Garant Chile S.A.
Avda. Los Cerrillos 998
Cerrillos (Santiago)
Chile
T: +56 2 2411 5900
C: +56 9 9624 0421

GUYANA

OGD Drilling (Guyana) Inc.
31 Belair Spring
East Coast Demerara
Georgetown
Guyana
C Guyana: +592 629 6133
T Canada : 1 819 824-2707
F Canada : 1 819 824-1595

WEST AFRICA

GHANA

Orbit Garant Drilling Ghana Limited
Plot 35 Funko Beach
P.O. Box WQ 104
Takoradi
Ghana
T Ghana: +233 303 960 889
C Ghana: +233 270 334 162
C Canada : 506 863-9503

BURKINA FASO

Forage Orbit Garant BF S.A.S.
737, boulevard Tansoba-KOSSODO
12 B.P. 197 Ouagadougou 12
Ouagadougou
Burkina Faso
T Burkina Faso : +226 54 69 02 80
T Burkina Faso : +226 76 35 88 11

ORBITGARANT.COM