

# Orbit Garant Drilling Reports Fiscal 2018 Fourth Quarter and Year-End Financial Results

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&ndash; Company posts record fourth quarter and fiscal year revenue supported by higher drill utilization rates in Canada and strong growth in international markets &ndash;

VAL-D'OR, QC, Sept. 12, 2018 /CNW/ - [Orbit Garant Drilling Inc.](#) (TSX: OGD) ("Orbit Garant" or the "Company") today announced its financial results for the fourth quarter and fiscal year ended June 30, 2018. All dollar amounts are in Canadian dollars unless otherwise stated. Percentage calculations are based on numbers in the financial statements and may not correspond to rounded figures presented in this news release.

## Financial Highlights

(\$ amounts in millions, except per share amounts)	Three months ended June 30, 2018	Three months ended June 30, 2017	12 months ended June 30, 2018	12 months ended June 30, 2017
Revenue	\$44.5	\$37.4	\$173.1	\$125.2
Gross Profit	\$7.5	\$2.4	\$21.5	\$8.0
Gross Margin (%)	16.8	6.6	12.4	6.4
Adjusted Gross Margin (%) <sup>1</sup>	21.2	11.8	17.0	13.4
EBITDA <sup>2</sup>	\$5.5	\$0.7	\$14.7	\$2.7
Net earnings (loss)	\$3.3	\$(1.6)	\$4.5	\$(5.9)
Net earnings (loss) per share				
- Basic and diluted	\$0.09	\$(0.05)	\$0.12	\$(0.17)
Total metres drilled	383,152	376,201	1,537,212	1,293,350

<sup>1</sup> Adjusted Gross Margin is a non-IFRS financial measure and is defined as Gross Profit excluding depreciation expenses. See "Reconciliation of Non-IFRS financial measures".

<sup>2</sup> EBITDA is a non-IFRS financial measure and is defined as earnings before interest, taxes, depreciation, and amortization. See "Reconciliation of Non-IFRS financial measures".

"We had a good fourth quarter, with our highest quarterly revenue to date, to complete what was a strong year for Orbit Garant, with record annual metres drilled and revenue. Our international operations continue to be a key growth driver, as we doubled our revenue from this segment in both our fourth quarter and fiscal year, compared to the same periods a year ago," said Eric Alexandre, President and CEO of Orbit Garant. "Our acquisition of Captagua in Chile in fiscal 2016 created a strong platform for growth. In less than three years, we have now grown our annual revenue base to more than \$40 million in that market, while strengthening our relationships with some of the world's leading mining companies. We are now focused on applying this same formula for success in growing our operations in West Africa."

"Our Canadian operations performed well in fiscal 2018, as we realized our highest annualized drill utilization rates since fiscal 2012, when global mineral exploration and mine development budgets were at record levels. Our higher drill utilization rates reflect the steady growth in customer demand we experienced in Canada since early 2016. In response to this demand growth, we rapidly expanded our workforce and experienced some margin erosion due to lower productivity rates as we had less experienced drillers on certain projects. We are now seeing productivity gains from our drilling operations in Canada as our newer drillers gain more experience. With higher drill utilization rates, we are also realizing improved pricing on certain contracts. These factors are reflected in our strong improvement in gross margins during our fourth quarter," continued Mr. Alexandre. "While we are currently seeing a slight downturn in demand in our Canadian operations, with recent lower levels of mining financing and commodity prices, we continue to see strong demand growth and new opportunities in our international operations."

#### Fourth Quarter Results

Revenue for the three-month period ended June 30, 2018 ("Q4 FY2018") totalled a record \$44.5 million, an increase of 18.9% from \$37.4 million for the three-month period ended June 30, 2017 ("Q4 FY2017"). Drilling Canada revenue of \$30.4 million was in line with Q4 FY2017. International revenue, net of intersegment revenue, was \$14.1 million, compared to \$6.9 million in Q4 FY2017, an increase of \$7.2 million. International revenue includes \$11.4 million in revenue from operations in Chile, compared to \$5.7 million in Q4 FY2017. Revenue growth in Chile was primarily attributable to increased drilling volumes. The remaining increase in International revenue was primarily attributable to increased drilling activity in Burkina Faso, Ghana and Guyana.

Orbit Garant drilled a total of 383,152 metres in Q4 FY2018, a 1.8% increase from 376,201 metres drilled in Q4 FY2017. The Company's average revenue per metre drilled in Q4 FY2018 increased to \$115.69, compared to \$99.06 in Q4 FY2017. The increase in average revenue per metre drilled is primarily attributable to increased specialized drilling activity in Chile and Canada, as specialized drilling is priced at a higher rate than conventional drilling. The Company also benefited from improved pricing on certain drilling contracts in Canada.

Gross profit for Q4 FY2018 increased to \$7.5 million, compared to \$2.4 million in Q4 FY2017. Gross margin increased to 16.8% from 6.6% in Q4 FY2017. Depreciation expenses totalling \$2.0 million are included in cost of contract revenue for Q4 FY2018, in line with Q4 FY2017. Adjusted gross margin, excluding depreciation expenses, was 21.2% in Q4 FY2018, up from 11.8% in Q4 FY2017. The increase in gross profit, gross margin and adjusted gross margin was primarily attributable to higher drilling volume in Chile, Burkina Faso and Ghana, including increased specialized drilling activity.

General and administrative ("G&A") expenses were \$3.8 million (representing 8.6% of revenue) in Q4 FY2018, compared to \$3.6 million (representing 9.7% of revenue) in Q4 FY2017.

Earnings (loss) before interest, taxes, depreciation and amortization ("EBITDA") totalled \$5.5 million in Q4 FY2018, compared to \$0.7 million in Q4 FY2017, an increase of \$4.8 million.

Net earnings for Q4 FY2018 were \$3.3 million, or \$0.09 per share, compared to a net loss of \$1.6 million, or \$0.05 per share, in Q4 FY2017. Higher gross profit and margins, as discussed above, contributed to the Company's net earnings for Q4 FY2018.

#### Fiscal 2018 Results

Revenue in Fiscal 2018 totalled a record \$173.1 million, an increase 38.3%, from \$125.2 million in Fiscal 2017. Drilling Canada revenue was \$120.9 million in Fiscal 2018, an increase of 21.8%, compared to \$99.3 million in Fiscal 2017. The increase was primarily attributable to a higher number of metres drilled, increased specialized drilling activity and higher pricing on certain contracts. International revenue, net of intersegment revenue, totalled \$52.2 million in Fiscal 2018, compared to \$25.9 million in Fiscal 2017, an increase of \$26.3 million. International includes \$41.6 million in revenues from Chile, compared to \$20.1 million in Fiscal 2017. International revenue growth was primarily attributable to increased drilling activity in Chile and new projects in Burkina Faso.

Orbit Garant drilled a record 1,537,212 metres in Fiscal 2018, an 18.9% increase from 1,293,350 metres drilled in Fiscal 2017. The Company's average revenue per metre drilled was \$112.29, an increase of 16.3% from \$96.53 in Fiscal 2017. The increase in average revenue per metre drilled is primarily attributable to the Company's specialized drilling activity in Chile, which is priced at a higher rate than conventional drilling.

Gross profit for Fiscal 2018 was \$21.5 million, compared to \$8.0 million in Fiscal 2017. Gross margin was 12.4% compared to 6.4% in Fiscal 2017. In accordance with IFRS, depreciation expenses totalling \$7.9 million are included in cost of contract revenue for Fiscal 2018, compared to \$8.7 million 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, including increased specialized drilling activity in Chile. The Company also benefitted from higher pricing on certain contracts in Canada.

G&A expenses were \$15.8 million (representing 9.1% of revenue) in Fiscal 2018, compared to \$14.7 million (representing 11.8% of revenue) in Fiscal 2017 reflecting the Company's growth in Canada and internationally.

EBITDA totalled \$14.7 million in Fiscal 2018, compared to \$2.7 million in Fiscal 2017, an increase of \$12.0 million.

Net earnings for Fiscal 2018 were \$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.

During Fiscal 2018, Orbit Garant generated \$3.2 million from financing activities, compared to \$7.0 million in Fiscal 2017. The Company withdrew a net amount of \$4.5 million during Fiscal 2018 on its secured, three-year revolving credit facility (the "Credit Facility") with National Bank of Canada Inc. (the "Lender"), compared to a withdrawal of \$7.6 million in Fiscal 2017. The Company's long-term debt under the Credit Facility, including current portion, was \$18.1 million as at June 30, 2018, compared to \$13.6 million as at June 30, 2017. Orbit Garant's Chilean subsidiary (OG Chile) enters into receivable purchase agreements (commonly referred to as "factoring agreements") with different banks as part of its normal working capital financing. As at June 30, 2018, no trade receivables are related to factored accounts, compared to \$0.7 million as at June 30, 2017.

As at June 30, 2018, the Company's working capital was \$53.3 million (\$30.8 million as at June 30, 2017) and 36,147,119 common shares issued and outstanding. The increase in working capital resulted from the reclassification of the outstanding amount under the Credit Facility from current to non-current liabilities as a new Credit Facility was secured on November 2, 2017.

Orbit Garant's condensed consolidated financial statements and management's discussion and analysis for the fourth quarter and year ended June 30, 2018 are available via the Company's website at [www.orbitgarant.com](http://www.orbitgarant.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

#### Conference call

Eric Alexandre, President and CEO, and Alain Laplante, Vice President and CFO, will host a conference call for analysts and investors on Thursday, September 13, 2018 at 10:00 a.m. (ET). The dial-in numbers for the conference call are 416-764-8609 or 1-888-390-0605. A live webcast of the call will be available on Orbit Garant's website at: <http://www.orbitgarant.com/en/sites/fog/investors.aspx>.

To access a replay of the conference call dial 416-764-8677 or 1-888-390-0541, passcode: 347437 #. The replay will be available until September 20, 2018. The webcast will be archived following conclusion of the call.

#### 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 personnel expenses, and 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

(in millions of dollars)	3 months ended	3 months ended	12 months ended	12 months ended
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Net earnings (loss) for the period	3.3	(1.6)	4.5	(5.9)
<b>Add:</b>				
Finance costs	0.4	0.3	1.7	1.0
Income tax expense (recovery)	(0.2)	(0.2)	(0.3)	(2.0)
Depreciation and amortization	2.0	2.2	8.8	9.6
<b>EBITDA</b>	<b>5.5</b>	<b>0.7</b>	<b>14.7</b>	<b>2.7</b>

## 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 expenses. As a result, Management believes they provide useful and comparable benchmarks for evaluating the Company's performance.

(in millions of dollars)	3 months ended	3 months ended	12 months ended	12 months ended
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Contract revenue	44.5	37.4	173.1	125.2
Cost of contract revenue (including depreciation)	37.1	34.9	151.6	117.1
Less depreciation	(2.0)	(1.9)	(7.9)	(8.7)
Direct costs	35.1	33.0	143.7	108.4
<b>Adjusted gross profit</b>	<b>9.4</b>	<b>4.4</b>	<b>29.4</b>	<b>16.8</b>
Alain Laplante, Vice President and Chief Financial Officer, (819) 824-2707 ext. 122; Bruce Wigle, Investor Relations (613) 746-7056 (1)	21.2	11.8	17.0	13.4

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

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**Headquartered in Val-d'Or, Quebec, Orbit Garant is one of the largest Canadian-based mineral drilling companies providing both underground and surface drilling services in Canada and internationally through its 221 drill rigs and more than 1,200 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 consulting services to mining or mineral exploration companies, engineering and environmental consultant firms, and government agencies. For more information, please visit the Company's website at [www.orbitgarant.com](http://www.orbitgarant.com).**

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#### Forward-looking information

This news release may contain forward-looking statements (within the meaning of applicable securities laws) relating to business of [Orbit Garant Drilling Inc.](#) (the "Company") and the environment in which it operates. Forward-looking statements are identified by words such as "believe", "anticipate", "expect", "intend", "plan", "will", "may" and other similar expressions. These statements are based on the Company's expectations, estimates, forecasts and projections. They are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. These risks and uncertainties are discussed in the Company's regulatory filings available at [www.sedar.com](http://www.sedar.com). There can be no assurance that forward-looking statements will prove to be accurate as actual outcomes and results may differ materially from those expressed in these forward-looking statements. Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, a forward-looking statement speaks only as of the date on which such statement is made. The Company undertakes no obligation to publicly update any such statement or to reflect new information or the occurrence of future events or circumstances.

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