

# Orbit Garant Drilling Reports Fiscal 2020 Second Quarter Financial Results

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VAL-D'OR, Feb. 12, 2020 - [Orbit Garant Drilling Inc.](#) (TSX: OGD) ("Orbit Garant" or the "Company") today announced its financial results for the three and six-month periods ended December 31, 2019. 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 December 31, 2019	Three months ended December 31, 2018	Six months ended December 31, 2019	Six months ended December 31, 2018
Revenue	\$38.3	\$33.7	\$81.6	\$71.0
Gross Profit	\$2.4	\$2.9	\$9.3	\$8.5
Gross Margin (%)	6.3	8.6	11.5	12.0
Adjusted Gross Margin (%) <sup>1</sup>	12.5	15.2	17.2	17.9
EBITDA <sup>2</sup>	\$1.0	\$0.9	\$6.1	\$4.3
Net loss	\$(2.4)	\$(1.7)	\$(1.3)	\$(1.3)
Net loss per share				
- Basic and diluted	\$(0.06)	\$(0.04)	\$(0.03)	\$(0.03)
Total metres drilled	365,696	311,318	753,120	627,363

<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".

"Our growth in revenue and metres drilled in the quarter was driven by increased drilling activity in Canada, a trend that is supported by the strengthening price of gold, which is currently at its highest levels since 2013. This is providing gold mining companies of all sizes with improved access to capital to support the advancement of their exploration and mine development drilling programs," said Eric Alexandre, President and CEO of Orbit Garant.

"Our fiscal second quarter is typically our weakest quarter due to project shutdowns during the December holidays and decreased drilling activity in West Africa due to the rainy season. Beyond these seasonal factors, our international operations were also impacted by civil protests in Chile and regional security issues in Burkina Faso during the quarter, which resulted in delays or interruptions of certain customer projects. These factors, combined with the conclusion of a multi-year drilling contract in Chile, impacted our gross margins in the quarter," added Mr. Alexandre. "Looking ahead, we are pleased by the strengthening customer demand in Canada. We expect increasing industry utilization rates in Canada to have a positive impact on contract pricing. Internationally, we believe the political situation in Chile has stabilized and while we continue to monitor Burkina Faso, we are actively seeking drilling projects in other jurisdictions in West

Africa."

## Second Quarter Results

Revenue for the three-month period ended December 31, 2019 ("Q2 FY 2020") totalled \$38.3 million, an increase of 13.6% compared to \$33.7 million for the three-month period ended December 31, 2018 ("Q2 FY2019"). Drilling Canada revenue increased 21.2% to \$28.6 million, compared to \$23.6 million in Q2 FY2019, reflecting increased meters drilled. International revenue was \$9.7 million, a decrease of \$0.4 million compared to \$10.1 million in Q2 FY2019, reflecting the completion of a multi-year drilling contract in Chile during the fourth quarter of fiscal 2019 and a decrease in drilling activities in Burkina Faso and Ghana, partially offset by new drilling projects in Guyana and Argentina.

Orbit Garant drilled a total of 365,696 metres in Q2 FY2020, a 17.5% increase from the 311,318 metres drilled in Q2 FY2019. The Company's average revenue per metre drilled in Q2 FY2020 was \$104.53, compared to \$107.85 in Q2 FY2019. The decline in average revenue per metre drilled was attributable to a decrease in international specialized drilling activity.

Gross profit for Q2 FY2020 was \$2.4 million, or 6.3% of revenue, compared to \$2.9 million, or 8.6% of revenue, in Q2 FY2019. Adjusted gross margin, excluding \$2.4 million in depreciation expenses, was 12.5% in Q2 FY2020, compared to adjusted gross margin, excluding \$2.2 million in depreciation expenses, of 15.2% in Q2 FY2019. The decline in gross profit and margins was primarily attributable to the completion of a large drilling contract in Chile during the fourth quarter of fiscal 2019 and decreased drilling activity in Burkina Faso.

General and administrative ("G&A") expenses were \$4.2 million, or 10.8% of revenue, in Q2 FY2020, compared to \$4.9 million, or 14.4% of revenue, in Q2 FY2019. G&A expenses in Q2 FY2020 included \$0.1 million of acquisition and integration costs related to the acquisition of the drilling business of Projet Production International BF S.A. ("PPI") in Burkina Faso, compared to \$0.7 million in Q2 FY2019.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") was \$1.0 million in Q2 FY2020, compared to \$0.9 million in Q2 FY2019. Net loss for Q2 FY2020 was \$2.4 million, or \$0.06 per share, compared to net loss of \$1.7 million, or \$0.04 per share, in Q2 FY2019.

During Q2 FY2020, Orbit Garant generated \$1.5 million from financing activities, compared to \$7.6 million in Q2 FY2019. The Company withdrew a net amount of \$2.3 million during Q2 FY2020 on its secured, three-year revolving credit facility (the "Credit Facility") with National Bank of Canada Inc. (the "Lender"), compared to a withdrawal of \$7.1 million in Q2 FY2019. The Company's long-term debt under the Credit Facility, including the current portion, was \$30.4 million as at December 31, 2019, compared to \$25.3 million as at June 30, 2019. The Company's debt was incurred to support working capital requirements, the financing of the PPI acquisition in Q2 FY2019, and the acquisition of capital assets, property, plant and equipment.

As at December 31, 2019, the Company's working capital was \$57.7 million (\$55.1 million as at June 30, 2019) and 37,021,756 common shares were issued and outstanding.

Orbit Garant's unaudited interim consolidated financial statements and management's discussion and analysis for Q2 FY2020 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, February 13, 2020 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: 826292 #. The

replay will be available until February 20, 2020. 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:

Contract revenue excluding operating expenses. 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)	3 months ended	3 months ended	6 months ended	6 months ended
(in millions of dollars)	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Net loss for the period	(2.4)	(1.7)	(1.3)	(1.3)
Add:				
Finance costs	0.7	0.5	1.4	0.9
Income tax expense (recovery)	(0.1)	(0.4)	0.4	-
Depreciation and amortization	2.8	2.5	5.6	4.7
EBITDA	1.0	0.9	6.1	4.3

### Adjusted Gross Profit and Margin

Although adjusted gross margin 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)	3 months ended	3 months ended	6 months ended	6 months ended
(in millions of dollars)	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Contract revenue	38.3	33.7	81.6	71.0
Cost of contract revenue (including depreciation)	35.9	30.8	72.3	62.5
Less depreciation	(2.4)	(2.2)	(4.7)	(4.2)
Direct costs	33.5	28.6	67.6	58.3
Adjusted gross profit	4.8	5.1	14.0	12.7
Adjusted gross margin (%) <sup>(1)</sup>	12.5	15.2	17.2	17.9

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

## About Orbit Garant

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 233 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. For more information, please visit the Company's website at [www.orbitgarant.com](http://www.orbitgarant.com).

## 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.](http://www.orbitgarant.com) (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.

SOURCE [Orbit Garant Drilling Inc.](http://www.orbitgarant.com)

## Contact

Alain Laplante, Vice President and Chief Financial Officer, (819) 824-2707 ext. 122; Bruce Wigle, Investor Relations, (647) 496-7856

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