

# Orbit Garant Drilling Reports Fiscal 2021 Second Quarter Financial Results

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**Strong margin improvement supported by a return to pre-pandemic drilling levels in Canada, new drilling projects in West Africa and improved operational efficiencies; debt and lease liabilities reduced by \$5.7 million**

VAL-D'OR, Feb. 10, 2021 - [Orbit Garant Drilling Inc.](#) (TSX: OGD) ("Orbit Garant" or the "Company") today announced its financial results for the three-month ("Q2 2021") and six-month periods ended December 31, 2020. All dollar amounts are in Canadian dollars unless otherwise stated. The Company also provided an update on its successful appeal of a legal claim against its subsidiary in Burkina Faso.

## Q2 2021 Financial Highlights

(\$ amounts in millions, except per share amounts)	Three months ended December 31, 2020	Three months ended December 31, 2019	Six months ended December 31, 2020	Six months ended December 31, 2019
Revenue	\$36.1	\$38.3	\$71.7	\$81.6
Gross Profit	\$5.4	\$2.4	\$14.1	\$9.3
Gross Margin (%)	14.9	6.3	19.7	11.5
Adjusted Gross Margin (%) <sup>1</sup>	21.3	12.5	26.3	17.2
EBITDA <sup>2</sup>	\$4.4	\$1.0	\$12.8	\$6.1
Net earnings (loss)	\$0.3	\$(2.4)	\$3.8	\$(1.3)
Net earnings (loss) per share				
- Basic and diluted	\$0.01	\$(0.06)	\$0.10	\$(0.03)
Total metres drilled	376,303	365,696	727,676	753,120

<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 generated improved profitability in the quarter supported by growth in both our Canadian and West African operations, improved operational efficiencies and cost reduction initiatives that we began implementing at the onset of the pandemic. We have also improved our financial flexibility with a \$5.7 million reduction in debt and lease liabilities in the quarter," said Eric Alexandre, President and CEO of Orbit Garant. "While we continue to carefully monitor the spread of COVID-19 in the regions that we operate in, the current outlook for our business has improved in fiscal 2021. Our operations in Quebec and Ontario are continuing without significant disruption under the recent lockdown orders in each province, although the current level of demand is presenting challenges in sourcing experienced drillers and support personnel. Our drilling activity in West Africa has increased significantly, as we have recently secured new contracts in the region and will soon be expanding our drill fleet there to accommodate the increased demand. Our drilling activity in Chile remains below our pre-pandemic levels, but we are now seeing increased opportunities in that market. We are scheduled to commence work a new contract in Chile with a major copper producer in our fiscal third

quarter. The significant increase in gold and copper prices over the last 12 months should continue to provide positive support for drilling projects in our markets."

## Second Quarter Results

Revenue for Q2 2021 totalled \$36.1 million, compared to \$38.3 million for the three-month period ended December 31, 2019 ("Q2 2020"). Canada revenue totalled \$29.4 million in the quarter, compared to \$28.6 million in Q2 2020. The Company's drilling activities in Canada have returned to pre-pandemic levels following a gradual ramp-up that began in the latter half of the Company's fiscal 2020 fourth quarter. International revenue decreased to \$6.6 million in Q2 2021, from \$9.7 million in Q2 2020. The decrease in International revenue was primarily attributable to a decline in drilling activities in Chile, partially offset by increased drilling activity in West Africa.

Orbit Garant drilled a total of 376,303 metres in the quarter, compared to 365,696 metres drilled in Q2 2020. The Company's average revenue per metre drilled in Q2 2021 was \$95.08, compared to \$104.53 in Q2 a year ago. The decline in average revenue per metre drilled is primarily attributable to a lower proportion of specialized drilling activity.

Gross profit for Q2 2021 increased to \$5.4 million, or 14.9% of revenue, compared to \$2.4 million, or 6.3% of revenue, in Q2 2020. Depreciation expenses totalling \$2.3 million are included in the cost of contract revenue for Q2 2021, compared to \$2.4 million in Q2 a year ago. Adjusted gross margin, excluding depreciation expenses, was 21.3% in Q2 2021, compared to 12.5% in Q2 2020. The Company's gross profit and margins in Q2 2021 were positively impacted by improved operational efficiencies and cost reduction initiatives, which offset the additional logistical challenges and related costs due to COVID-19. The cost of contract revenue was reduced by \$0.2 million in Q2 2021 as a result of financial support recorded from the Canada Emergency Wage Subsidy ("CEWS") program.

General and administrative ("G&A") expenses were \$3.7 million, or 10.1% of revenue, in Q2 2021, compared to \$4.2 million, or 10.8% of revenue, in Q2 2020. The decline in G&A expenses reflects cost reduction measures that were implemented following the onset of the pandemic.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") increased to \$4.4 million in Q2 2021, compared to \$1.0 million in Q2 2020. Net earnings for Q2 2021 were \$0.3 million, or \$0.01 per share, compared to a net loss of \$2.4 million, or \$0.06 per share, in Q2 a year ago. The positive variances reflect improved gross margins, positively impacted by improved operational efficiencies and cost reduction initiatives.

During Q2 2021, Orbit Garant's financing activities resulted in a \$5.7 million reduction in debt and lease liabilities, compared to an increase of \$1.5 million in Q2 2020. The Company repaid a net amount of \$5.0 million during Q2 2021 on its Credit Facility, compared to a withdrawal of \$2.3 million in Q2 last year. The Company's long-term debt under the Credit Facility, including US\$1.0 million (\$1.3 million) drawn from the US\$5.0 million revolving credit facility and the current portion, was \$21.6 million as at December 31, 2020, compared to \$28.7 million as at June 30, 2020, a decrease of \$7.1 million.

As at December 31, 2020, the Company's working capital was \$31.4 million (\$52.1 million as at June 30, 2020) and 37,021,756 common shares were issued and outstanding. The decline in working capital resulted from the reclassification of the amount outstanding under the Credit Facility from non-current to current liabilities due to the fact that the maturity date of the Credit Facility is currently November 2, 2021. Orbit Garant's working capital requirements are primarily related to the funding of inventory and the financing of accounts receivable. Orbit Garant is currently in discussions with its senior lender to renew its Credit Facility.

As previously disclosed, in June 2020, a claim by a financial institution for damages against a subsidiary of Orbit Garant in the amount of approximately \$2.0 million was confirmed by a court in Burkina Faso. The Company vigorously disputed this claim and filed an appeal. Nonetheless, given the original claim was confirmed by the court in Burkina Faso, Orbit Garant recorded a provision of approximately \$2.0 million in its fiscal 2020 fourth quarter for this claim.

Subsequent to the end of Q2 2021, on January 21, 2021, the appeal court ruled in Orbit Garant's favour and

overturned the original decision. This decision remains subject to further appeal and Orbit Garant has determined that it will not reverse the provisional liability until the appeal period has expired and it has received and considered the appeal court's written judgment.

Orbit Garant's unaudited interim consolidated financial statements and management's discussion and analysis for Q2 2021 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 11, 2021 at 10:00 a.m. (ET). The dial-in numbers for the conference call are 416-764-8688 or 1-888-390-0546. A live webcast of the call will be available on Orbit Garant's website at: <http://www.orbitgarant.com/en/events>.

To access a replay of the conference call, dial 416-764-8677 or 1-888-390-0541, passcode: 973966 #. The replay will be available until February 18, 2021. 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, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Net earnings (net loss) for the period	0.3	(2.4)	3.8	(1.3)
Add:				
Finance costs	0.7	0.7	1.3	1.4
Income tax expense (recovery)	0.5	(0.1)	2.1	0.4
Depreciation and amortization	2.9	2.8	5.6	5.6
EBITDA	4.4	1.0	12.8	6.1

### 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)	3 months ended	3 months ended	6 months ended	6 months ended
(in millions of dollars)	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Contract revenue	36.1	38.3	71.7	81.6
Cost of contract revenue (including depreciation)	30.7	35.9	60.2	72.3
Less depreciation	(2.3)	(2.4)	(4.7)	(4.7)
Direct costs	28.4	33.5	55.5	67.6
Adjusted gross profit	7.7	4.8	16.2	14.0
Adjusted gross margin (%) <sup>(1)</sup>	21.3	12.5	22.6	17.2

(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 227 drill rigs and approximately 1,100 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.](#) (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. Risks and uncertainties that could cause actual results, performance or achievements to differ materially include the ability of the jurisdictions in which the Company operates to manage and cope with the implications of COVID-19, the impact of measures taken by such jurisdictions to control the spread of COVID-19 on the Company's operations, the economic and financial implications of COVID-19 to the Company, including its impact on cash flows, liquidity and the Company's compliance with its obligations under its borrowing agreements as well as the 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 except as required by applicable securities laws.

SOURCE [Orbit Garant Drilling Inc.](#)

#### 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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