

# Orbit Garant Drilling Reports Fiscal 2022 Fourth Quarter And Year-end Financial Results

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## Record revenue and improved profitability in the fourth quarter driven by strong customer demand and increased pricing on drilling contracts in Canada

VAL-D'OR, Sept. 20, 2022 - [Orbit Garant Drilling Inc.](#) (TSX: OGD) ("Orbit Garant" or the "Company") today announced its financial results for the three-month period ("Q4 2022") and fiscal year ended June 30, 2022. All dollar amounts are in Canadian dollars unless otherwise stated.

### Financial Highlights

| (\$ amounts in millions,<br>except per share amounts) | Three months ended<br>June 30, 2022 | Three months ended<br>June 30, 2021 | Year ended<br>June 30, 2022 | Year ended<br>June 30, 2021 |
|---|-------------------------------------|-------------------------------------|-----------------------------|-----------------------------|
| Revenue   | \$53.8                              | \$51.1                              | \$195.5                     | \$163.3                     |
| Gross Profit  | \$6.9                               | \$3.0                               | \$13.7                      | \$20.3                      |
| Gross Margin (%)                                      | 12.8                                | 5.9                                 | 7.0                         | 12.4                        |
| Adjusted Gross Margin (%) <sup>1</sup>                | 17.2                                | 9.8                                 | 12.2                        | 17.9                        |
| EBITDA <sup>2</sup>                                   | \$5.7                               | \$1.2                               | \$10.0                      | \$17.6                      |
| Net earnings (loss)                                   | \$0.5                               | \$(2.2)                             | \$(6.6)                     | \$2.3                       |
| Net earnings (loss) per share                         |                                     |                                     |                             |                             |
| - Basic and diluted                                   | \$0.01                              | \$(0.06)                            | \$(0.18)                    | \$0.06                      |
| Total metres drilled                                  | 474,694                             | 502,350                             | 1,813,999                   | 1,661,396                   |

<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 record revenue in the fourth quarter, while our profitability improved significantly relative to Q4 last year and the first three quarters of this year. Our growth in profitability was driven primarily by sustained customer demand and improved contract pricing in Canada, which more than offset increased wage, materials and fuel costs. In addition, our worker productivity improved in the quarter as our newer drillers gained more experience, and costs related to project ramp-ups and mobilization declined, and we did not experience the adverse weather and Omicron-related work interruptions that affected us in our third quarter," said Eric Alexandre, President and CEO of Orbit Garant.

"Customer demand for our drilling services remains strong, and we expect our margins to improve as the price increases we have implemented on our contracts continue to offset cost pressures on our business. We incurred significant costs in fiscal 2022 related to driller training and project ramp-ups in Canada, as well as project mobilizations in our international operations, as we adapted to increased customer demand, which have positioned us for further growth in both revenue and profitability going forward on a year to year basis."

## Fourth Quarter Results

Revenue for Q4 2022 totalled \$53.8 million, an increase of 5.3% compared to \$51.1 million for the three-month period ended June 30, 2021 ("Q4 2021"). Canada revenue totalled \$42.0 million in the quarter, an increase of 10.4% compared to \$38.1 million in Q4 2021, reflecting sustained domestic demand for the Company's drilling services in Q4 2022 and improved pricing on drilling contracts. International revenue declined to \$11.8 million in Q4 2022, compared to \$13.0 million in Q4 2021, reflecting a decline in drilling activity in Burkina Faso, partially offset by increased drilling activities in Chile and Guinea.

Orbit Garant drilled 474,694 metres in the quarter, compared to 502,350 metres drilled in Q4 2021. The Company's average revenue per metre drilled in Q4 2022 was \$113.23, an increase of 12.1% compared to \$101.00 in Q4 2021. The increase in average revenue per metre drilled was primarily attributable to improved pricing on contracts in Canada.

Gross profit for Q4 2022 increased to \$6.9 million, or 12.8% of revenue, compared to \$3.0 million, or 5.9% of revenue, in Q4 2021. Depreciation expenses totalling \$2.3 million are included in the cost of contract revenue for Q4 2022, compared to \$2.0 million in Q4 a year ago. Adjusted gross profit in Q4 2022, excluding depreciation expenses, was \$9.3 million, compared to \$5.0 million in Q4 2021. Adjusted gross margin was 17.2% in Q4 2022, compared to 9.8% in Q4 2021. The increase in gross profit, gross margin and adjusted gross margin was primarily attributable to an increase in average revenue per metre drilled, decreased project ramp-up costs in Canada, and a reduction in mobilization costs for new, long-term projects in Guinea and Chile.

General and administrative expenses were \$3.8 million, or 7.0% of revenue, in Q4 2022, compared to \$3.9 million, or 7.7% of revenue, in Q4 2021.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") increased to \$5.7 million in Q4 2022, compared to \$1.2 million in Q4 2021. Net earnings for Q4 2022 were \$0.5 million, or \$0.01 per share, compared to a net loss of \$2.2 million, or \$0.06 per share, in Q4 a year ago. The positive variances were primarily attributable to increased pricing on drilling contracts, decreased project ramp-up costs in Canada, and reduction in mobilization costs for new, long-term projects in Guinea and Chile, as discussed above.

## Fiscal 2022 Results

Revenue in Fiscal 2022 totalled \$195.5 million, an increase of 19.7% compared to \$163.3 million in Fiscal 2021, reflecting a global increase in the Company's drilling activities and increased pricing on contracts in Canada. Canada revenue totalled \$145.2 million in Fiscal 2022, an increase of 11.7% compared to \$130.0 million in Fiscal 2021, reflecting improved pricing on drilling contracts. International revenue increased 50.9% to \$50.3 million in Fiscal 2022, compared to \$33.3 million in Fiscal 2021, reflecting new, long-term contracts in Chile and Guinea.

Orbit Garant drilled 1,813,999 metres in Fiscal 2022, an increase of 9.2% compared to 1,661,396 metres drilled in Fiscal 2021. The Company's average revenue per metre drilled in Fiscal 2022 was \$107.40, an increase of 10.2% compared to \$97.45 in Fiscal 2021. The increase in average revenue per metre drilled was primarily attributable to increased pricing on contracts in Canada, partially offset by a lower proportion of specialized drilling activity.

Gross profit for Fiscal 2022 was \$13.7 million, or 7.0% of revenue, compared to \$20.3 million, or 12.4% of revenue, in Fiscal 2021. Depreciation expenses totalling \$10.0 million are included in the cost of contract revenue for Fiscal 2022, compared to \$8.9 million in Fiscal 2021. Adjusted gross profit in Fiscal 2022, excluding depreciation expenses, was \$23.8 million, compared to \$29.1 million in Fiscal 2021. Adjusted gross margin was 12.2% in Fiscal 2022, compared to 17.9% in Fiscal 2021. Gross profit and margins were negatively impacted by increased driller training costs, a decline in productivity because of a higher proportion of less experienced drillers, adverse weather conditions affecting drilling operations more than usual in the third quarter of Fiscal 2022 ("Q3 2022"), and higher wage and project ramp-up costs in Canada. Internationally, Orbit Garant incurred significant mobilization costs related to new, long-term contracts in Guinea and Chile. The Company is also experiencing supply chain disruptions and cost inflation for materials and fuel in all the regions in which it operates, which negatively impacted gross margins. Omicron-related work interruptions starting in late November 2021 and into Q3 2022 also impacted margins. In addition, the

cost of contract revenue was reduced by \$2.9 million in Fiscal 2021 as a result of financial support recorded from the Canada Emergency Wage Subsidy ("CEWS") program. Orbit Garant was no longer eligible for the CEWS program in Fiscal 2022.

General and administrative expenses were \$14.5 million in Fiscal 2022, similar to Fiscal 2021. As a percentage of revenues, G&A expenses decreased to 7.4% in Fiscal 2022, compared to 8.9% in Fiscal 2021. G&A expenses were reduced by \$0.3 million in Fiscal 2021 as a result of financial support recorded from CEWS program. Orbit Garant was no longer eligible for the CEWS program in Fiscal 2022, as noted above.

EBITDA totalled \$10.0 million for Fiscal 2022, compared to \$17.6 million in Fiscal 2021. Net loss for Fiscal 2022 was \$6.6 million, or \$0.18 per share, compared to net earnings of \$2.3 million, or \$0.06 per share, in Fiscal 2021. The negative variances were primarily attributable to increased driller training and project ramp-up costs, new project mobilization costs, higher costs of materials, fuel and wages, Omicron-related work interruptions, the cessation of financial support from the CEWS program, and the reversal of a \$1.96 million provision for litigation in Burkina Faso recorded in Q3 2021, partially offset by increased drilling activity globally and increased pricing on drilling contracts in Canada.

#### Liquidity and Capital Resources

During Fiscal 2022, cash flow of \$2.7 million was generated from financing activities. In Fiscal 2021, the Company repaid a net amount of \$3.8 million of its long-term debt and lease liabilities.

The Company withdrew a net amount of \$7.3 million during Fiscal 2022 on its Credit Facility, compared to a repayment of \$4.4 million in Fiscal 2021. 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 \$31.5 million as at June 30, 2022, compared to \$24.3 million as at June 30, 2021. The debt was used to support working capital requirements and the acquisition of capital assets, property, plant and equipment.

As at June 30, 2022, the Company's working capital was \$53.4 million, compared to \$54.0 million as at June 30, 2021, and 37,372,756 common shares were issued and outstanding. The Company's working capital requirements are primarily related to the funding of inventory and the financing of accounts receivable.

On September 9, 2022, the Company entered into an additional loan agreement with the Business Development Bank of Canada (the "BDC Loan Agreement") which provides for a term loan in the principal amount of \$8.47 million. The loan bears interest at a fixed rate of 6.70% per year, has a 20 year term and is repayable by way of 240 consecutive monthly payments from October 2022 until September 2042. The fixed interest rate may be reduced by 0.20% from October 2023, if certain financial covenants are met by the Company. The Company's obligations under the BDC Loan Agreement are secured: (a) by a first ranking immovable hypothec on the building serving as the Company's head office located in Val-d'Or, Quebec (the "Property"); and (b) guaranteed on a solidary (joint and several) basis by certain of the Company's subsidiaries.

As a result of the Company entering into the BDC Loan Agreement and in order to extract the Property from the borrowing base under the Credit Agreement the Company entered into a third amending agreement to the Credit Agreement with National Bank on September 9, 2022 (the "Third Amending Agreement"), pursuant to which the amount available for borrowing under the revolving facility contemplated under the Credit Agreement was reduced, as of that date, from \$35.0 million to \$30.0 million. Other noteworthy amendments made pursuant to the Third Amending Agreement include consents by National Bank to authorize the first ranking immovable hypothec on the Property pursuant to the BDC Loan Agreement and modifications to certain financial covenants of the Company applicable to the Company's first fiscal quarter of 2023 and future quarters.

Orbit Garant's audited consolidated financial statements and management's discussion and analysis for the fourth quarter and fiscal year ended June 30, 2022 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 Daniel Maheu, CFO, will host a conference call for analysts and investors on Wednesday, September 21, 2022 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: 471558 #. The replay will be available until September 28, 2022. 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 | 12 months ended | 12 months ended |
|--|----------------|----------------|-----------------|-----------------|
| (in millions of dollars)               | June 30, 2022  | June 30, 2021  | June 30, 2022   | June 30, 2021   |
| Net earnings (net loss) for the period | 0.5            | (2.2)          | (6.6)           | 2.3             |
| Add:                                   |                |                |                 |                 |
| Finance costs                          | 0.7            | 0.5            | 2.2             | 2.3             |
| Income tax expense                     | 1.9            | 0.5            | 3.2             | 2.5             |
| Depreciation and amortization          | 2.6            | 2.4            | 11.2            | 10.5            |
| EBITDA (loss)                          | 5.7            | 1.2            | 10.0            | 17.6            |

### 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 | 12 months ended | 12 months ended |
|---|----------------|----------------|-----------------|-----------------|
| (in millions of dollars)                          | June 30, 2022  | June 30, 2021  | June 30, 2022   | June 30, 2021   |
| Contract revenue                                  | 53.8           | 51.1           | 195.5           | 163.3           |
| Cost of contract revenue (including depreciation) | 46.8           | 48.1           | 181.7           | 143.1           |
| Less depreciation                                 | (2.3)          | (2.0)          | (10.0)          | (8.9)           |
| Direct costs                                      | 44.5           | 46.1           | 171.7           | 134.2           |
| Adjusted gross profit                             | 9.3            | 5.0            | 23.8            | 29.1            |
| Adjusted gross margin (%) <sup>(1)</sup>          | 17.2           | 9.8            | 12.2            | 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 217 drill rigs and approximately 1,400 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.](#)

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