

Orbit Garant Drilling Reports Significant Improvement In Fiscal 2023 Second Quarter Financial Results

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Continued margin growth supported by strong customer demand and increased specialized drilling activity in Canada

VAL-D'OR, Feb. 8, 2023 - [Orbit Garant Drilling Inc.](#) (TSX: OGD) ("Orbit Garant" or the "Company") today announced its financial results for the three-month ("Q2 2023") and six-month periods ended December 31, 2022. All dollar amounts are in Canadian dollars unless otherwise stated.

Financial Highlights

| (\$ amounts in millions, except per share amounts) | Three months ended December 31, 2022 | Three months ended December 31, 2021 | Six months ended December 31, 2022 | Six months ended December 31, 2021 |
|---|---|---|---------------------------------------|---------------------------------------|
| Revenue | \$51.6 | \$45.9 | \$104.9 | \$96.5 |
| Gross Profit | \$6.8 | \$2.7 | \$13.0 | \$6.5 |
| Gross Margin (%) | 13.1 | 6.0 | 12.4 | 6.7 |
| Adjusted Gross Margin (%) ¹ | 18.1 | 11.5 | 17.2 | 11.9 |
| EBITDA ² | \$6.9 | \$2.0 | \$12.7 | \$4.7 |
| Net earnings (loss) | \$2.1 | \$(1.7) | \$3.2 | \$(3.1) |
| Net earnings (loss) per share | | | | |
| - Basic and diluted | \$0.06 | \$(0.05) | \$0.09 | \$(0.08) |

¹ 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".

² 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 profitability continues to improve supported by strong customer demand and increased specialized drilling activity in Canada. Our overall margins also benefited from decreased project ramp-up costs in Canada and a reduction in mobilization costs for our drilling projects in Guinea and Chile," said Pierre Alexandre, President and CEO of Orbit Garant. "Revenue from our international operations in the quarter was in line with Q2 last year, reflecting a decrease in drilling activities in Burkina Faso, offset by increased drilling activity in Guinea and Chile. Looking ahead, we intend to fulfill our existing drilling contracts in Burkina Faso, but we expect to gradually reduce our presence in the country due to ongoing security concerns. We intend to primarily focus on driving growth in Canada."

Second Quarter Results

Revenue for Q2 2023 totalled \$51.6 million, an increase of 12.5% compared to \$45.9 million for the three-month period ended December 31, 2021 ("Q2 2022"). Canada revenue totalled \$38.3 million in Q2 2023, an increase of 17.0% compared to \$32.7 million in Q2 2022, reflecting increased specialized drilling

activity and improved pricing. International revenue was stable at \$13.3 million in Q2 2023, compared to from \$13.2 million in Q2 2022.

Gross profit for Q2 2023 was \$6.8 million, or 13.1% of revenue, compared to \$2.7 million, or 6.0% of revenue, in Q2 2022. Depreciation expenses totalling \$2.6 million are included in the cost of contract revenue for Q2 2023, compared to \$2.5 million in Q2 2022. Adjusted gross margin, excluding depreciation expenses, was 18.1% in Q2 2023, compared to adjusted gross margin of 11.5% in Q2 2022. The increases in gross profit, gross margin, adjusted gross profit and adjusted gross margin were primarily attributable to increased specialized drilling activity, improved pricing and cost controls. Prior year margins were impacted by project ramp-up costs due to rapid growth in Canada and mobilization costs for new, long-term projects in Guinea and Chile.

General and Administrative expenses were \$3.9 million, or 7.5% of revenue, in Q2 2023, compared to \$3.2 million, or 6.9% of revenue, in Q2 2022. The increase in G&A expense in Q2 2023 partially reflects an increase in bad debt provisions of \$0.3 million.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") increased to \$6.9 million in Q2 2023 from \$2.0 million in Q2 2022. Net earnings for Q2 2023 were \$2.1 million, or \$0.06 per share, compared to a net loss of \$1.7 million, or \$0.05 per share, in Q2 2022. The positive variances were primarily attributable to increased specialized drilling activity, improved pricing and cost controls. The Company's EBITDA and net earnings in Q2 2023 also reflect decreased project ramp-up costs in Canada and a reduction in mobilization costs for drilling projects in Guinea and Chile.

Liquidity and Capital Resources

The Company repaid a net amount of \$2.9 million on its Credit Facility in Q2 2023, compared to a repayment of \$1.4 million in Q2 2022. The Company's long-term debt, under the Credit Facility, including US\$1.0 million (\$1.4 million) drawn from the US\$5.0 million revolving credit facility and the current portion, was \$21.7 million as at December 31, 2022, compared to \$31.5 million as at June 30, 2022. This reduction primarily reflects the utilization of a substantial portion of the \$8.47 million loan from the Business Development Bank of Canada that was secured in Q1 2023.

As at December 31, 2022, the Company's working capital totalled \$53.9 million, compared to \$53.4 million as at June 30, 2022, 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.

Orbit Garant's unaudited interim consolidated financial statements and management's discussion and analysis for Q2 2023 are available via the Company's website at www.orbitgarant.com or SEDAR at www.sedar.com.

Conference Call

Pierre Alexandre, President and CEO, and Daniel Maheu, CFO, will host a conference call for analysts and investors on Thursday, February 9, 2023 at 10:00 a.m. (ET). To join the conference call without operator assistance, you can register and enter your phone number at <https://bit.ly/3WndiCL> to receive an instant automated call back. Alternatively, you can dial 416-764-8688 or 1-888-390-0546 to reach a live operator that will join you into the call.

A live webcast of the call will be available on Orbit Garant's website at: <http://www.orbitgarant.com/en/events>. The webcast will be archived following conclusion of the call.

To access a replay of the conference call dial 416-764-8677 or 1-888-390-0541, passcode: 951497 #. The replay will be available until February 16, 2023.

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:

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, 2022 | December 31, 2021 | December 31, 2022 | December 31, 2021 |
| Net earnings (loss) for the period | 2.1 | (1.7) | 3.2 | (3.1) |
| Add: | | | | |
| Finance costs | 0.8 | 0.6 | 1.6 | 1.0 |
| Income tax expense | 1.2 | 0.4 | 2.4 | 1.2 |
| Depreciation and amortization | 2.8 | 2.7 | 5.5 | 5.6 |
| EBITDA | 6.9 | 2.0 | 12.7 | 4.7 |

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) | 3 months ended | 3 months ended | 6 months ended | 6 months ended |
|---|-------------------|-------------------|-------------------|-------------------|
| (in millions of dollars) | December 31, 2022 | December 31, 2021 | December 31, 2022 | December 31, 2021 |
| Contract revenue | 51.6 | 45.9 | 104.9 | 96.5 |
| Cost of contract revenue (including depreciation) | 44.8 | 43.1 | 91.8 | 90.0 |
| Less depreciation | (2.6) | (2.5) | (5.0) | (5.0) |
| Direct costs | 42.2 | 40.6 | 86.8 | 85.0 |
| Adjusted gross profit | 9.4 | 5.3 | 18.1 | 11.5 |
| Adjusted gross margin (%) ⁽¹⁾ | 18.1 | 11.5 | 17.2 | 11.9 |

(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 216 drill rigs and approximately 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.

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. 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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