Orbit Garant Drilling Reports Record Annual Revenue In Fiscal 2023 Despite Suspension Of Drilling Projects In QuÉbec Due To Forest Fires

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Fourth quarter and year-end gross margins and net earnings reflect a $4.2 million one-time, non-cash charge related to a write-down of inventory as Company plans to exit Burkina Faso

VAL-D'OR, Sept. 19, 2023 - Orbit Garant Drilling Inc. (TSX: OGD) ("Orbit Garant" or the "Company") today announced its financial results for the three-month period ("Q4 2023") and fiscal year ended June 30, 2023. All dollar amounts are in Canadian dollars unless otherwise stated.

Financial Highlights

($ amounts in millions,	Three months ended June 30, 2023	Three months ended June 30, 2022	Year ended	Y
except per share amounts)			June 30, 2023	J
Revenue	$46.8	$53.8	$201.0	$
Write-down of inventories from restructuring in Burkina Faso	$(4.2)	--	$(4.2)	-
Gross Profit	$0.7	$6.9	$18.3	$
Gross Margin (%)	1.4	12.8	9.1	7
Adjusted Gross Margin (%)[1]	15.9	17.2	16.2	1
Adjusted EBITDA[2]	$1.8	$5.7	$19.1	$
Net earnings (loss)	$(4.1)	$0.5	$(0.7)	$
Net earnings (loss) per share				
- Basic and diluted	$(0.11)	$0.01	$(0.02)	$

[1] Adjusted Gross Margin is a non-IFRS financial measure and is defined as Gross Profit excluding depreciation expenses and write-down of inventories from restructuring in Burkina Faso. See "Reconciliation of Non-IFRS financial measures".

[2] Adjusted EBITDA is a non-IFRS financial measure and is defined as earnings before interest, taxes, depreciation, amortization, and write-down of inventories from restructuring in Burkina Faso. See "Reconciliation of Non-IFRS financial measures".

"Our growth in revenue, gross margins and adjusted EBITDA in Fiscal 2023 reflects increased specialized drilling activity and improved pricing in Canada, as we benefitted from continued strong customer demand throughout the year. Our positive momentum was impacted late in our fourth quarter, as we had to suspend our drilling activities in Québec and on one project in Ontario for various periods from May 29 into July 2023, due to forest fires. This temporary work stoppage reduced our revenue by approximately $3.0 million in the quarter. We began ramping these projects back up in early July, and fully resumed operations later in the month. Our fourth quarter and year-end results were also impacted by a $4.2 million one-time, non-cash restructuring charge relating to our decision to wind down our drilling activities in Burkina Faso. We expect to complete our drilling program in that country during the second quarter of Fiscal 2024," said Pierre Alexandre, President and CEO of Orbit Garant.

"Looking ahead, we intend to continue to focus primarily on our Canadian operations, prioritizing longer-term,

specialized drilling contracts with major and intermediate customers. We will selectively pursue international projects that offer attractive returns. We believe that executing on this strategy will enable us to capitalize on positive market conditions and drive profitable growth."

Fourth Quarter Results

Revenue for Q4 2023 totalled $46.8 million, a decrease of 13.1% compared to $53.8 million for the three-month period ended June 30, 2022 ("Q4 2022"). Canada revenue totalled $32.6 million in Q4 2023, a decline of 22.6% compared to $42.0 million in Q4 2022. Approximately $3.0 million of the decline is attributable to the suspension of the Company's drilling projects in Québec and one project in Ontario for various periods during the quarter due to forest fires. The remaining year-over-year decline in revenue was primarily attributable to customer decisions to temporarily suspend or reduce drilling activity on certain projects late in the quarter. The Company had restarted operations on all its drilling projects that were impacted by forest fires by July 26, and expects to resume full operations on other projects that were temporarily suspended or reduced by January 2024. One of these projects resumed in mid-August 2023. International revenue increased to $14.2 million in Q4 2023 from $11.8 million in Q4 2022, primarily reflecting increased drilling activities in Chile.

The Company recorded a one-time, non-cash $4.2 million restructuring charge in Q4 2023 relating to its decision to exit Burkina Faso and complete its drilling program in the country during the second quarter of Fiscal 2024. The restructuring charge reflects a write-down of inventory to its net realizable value.

Gross profit for Q4 2023 was $0.7 million, or 1.4% of revenue, compared to $6.9 million, or 12.8% of revenue, in Q4 2022. The decrease in gross profit and gross margin was primarily attributable to the $4.2 million write-down of inventories from restructuring and a reduction of drilling activity in Canada due to forest fires and temporarily suspended or reduced drilling activity on certain projects, as discussed above. Depreciation expenses and the write-down of inventories from restructuring totalling $2.6 million and $4.2 million, respectively, are included in the cost of contract revenue for Q4 2023, compared to depreciation expenses of $2.3 million in Q4 2022. Adjusted gross margin, excluding depreciation expenses and the write-down of inventories from restructuring, was 15.9% in Q4 2023, compared to adjusted gross margin of 17.2% in Q4 2022. The decline in adjusted gross margin was primarily attributable to the Company's revenue reduction in Q4 2023 due to forest fires and temporarily suspended or reduced drilling activity on certain projects.

General and Administrative expenses were $5.1 million, or 10.9% of revenue, in Q4 2023, compared to $3.8 million, or 7.0% of revenue, in Q4 2022.

Adjusted earnings before interest, taxes, depreciation, amortization and write-down of inventories ("Adjusted EBITDA") were $1.8 million in Q4 2023, compared to $5.7 million in Q4 2022. The decrease was primarily attributable to the reduction of drilling activity in Canada due to forest fires and temporarily suspended or reduced drilling activity on certain projects, as described above. Net loss for Q4 2023 was $4.1 million, or $0.11 per share, compared to net earnings of $0.5 million, or $0.01 per share, in Q4 2022. The net loss in Q4 2023 was primarily attributable to the $4.2 million one-time restructuring charge and a reduction of drilling activities in Canada, as described above.

Fiscal 2023 Results

Revenue for Fiscal 2023 totalled $201.0 million, an increase of 2.8% compared to $195.5 million in Fiscal 2022, reflecting increased specialized drilling activity and improved pricing in Canada, partially offset by a revenue reduction in Q4 2023 due to forest fires and temporarily suspended or reduced drilling activity on certain projects, as described above, and a decline in international drilling activity. Canada revenue totalled $152.1 million in Fiscal 2023, an increase of 4.8% compared to $145.2 million in Fiscal 2022. International revenue totalled $48.9 million in Fiscal 2023, compared to $50.3 million in Fiscal 2022, reflecting a reduction of drilling activity in Burkina Faso, partially offset by increased drilling activity in Chile and Guinea.

Gross profit for Fiscal 2023 was $18.3 million, or 9.1% of revenue, compared to $13.7 million, or 7.0% of revenue, in Fiscal 2022. The increases in gross profit and gross margin were primarily attributable to increased specialized drilling activity, improved pricing and cost controls in Canada, partially offset by the $4.2 million write-down of inventories from restructuring and the reduction in drilling activity in Canada during

Q4 2023, as described above. Prior year margins were also impacted by project ramp-up costs in Canada, mobilization costs for new, long-term projects in Chile and Guinea, and Omicron-related work interruptions that began in November 2021.

Depreciation expenses and the write-down of inventories from restructuring totalling $10.1 million and $4.2 million, respectively, are included in the cost of contract revenue for Fiscal 2023, compared to depreciation expenses of $10.1 million in Fiscal 2022. Adjusted gross margin, excluding depreciation expenses and the write-down of inventories from restructuring, was 16.2% in Fiscal 2023, compared to adjusted gross margin of 12.2% in Fiscal 2022. The increase in adjusted gross margin was primarily attributable to increased specialized drilling activity, improved pricing and cost controls in Canada, partially offset by the reduction of drilling activity in Canada in Q4 2023, described above.

General and Administrative expenses were $16.4 million, or 8.2% of revenue, in Fiscal 2023, compared to $14.5 million, or 7.4% of revenue, in Fiscal 2022.

Adjusted EBITDA increased to $19.1 million in Fiscal 2023, compared to EBITDA of $10.0 million in Fiscal 2022. The increase was primarily attributable to increased specialized drilling activity, improved pricing and cost controls in Canada and a $1.9 million foreign exchange gain. Prior year EBITDA reflects higher project ramp-up costs in Canada, higher mobilization costs for new long-term projects in Guinea and Chile, and Omicron-related work interruptions beginning in November 2021.

Net loss for Fiscal 2023 was $0.7 million, or $0.02 per share, compared to a net loss of $6.6 million, or $0.18 per share, in Fiscal 2022. The reduced net loss in Fiscal 2023 was primarily attributable to a higher proportion of specialized drilling activity, improved pricing and cost controls in Canada, and a $1.9 million foreign exchange gain, partially offset by the $4.2 million non-cash, write-down of inventories from restructuring, the reduction of drilling activity in Canada during Q4 2023, as described above, and a $1.1 million increase in interest expense. The reduced net loss for Fiscal 2023 also reflects decreased project ramp-up costs in Canada, a reduction in mobilization costs for drilling projects in Chile and Guinea, and the absence of Omicron-related work interruptions.

Liquidity and Capital Resources

During Fiscal 2023, Orbit Garant repaid a net amount of $4.4 million of its long-term debt and lease liabilities. In Fiscal 2022, cash flow of $2.7 million was generated from financing activities.

The Company repaid a net amount of $9.3 million on its Credit Facility in Fiscal 2023, compared to a withdrawal of $7.3 million in Fiscal 2022. The Company's long-term debt under the Credit Facility, including US$2.0 million ($2.6 million) drawn from the US$5.0 million revolving credit facility and the current portion, was $22.2 million as at June 30, 2023, 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 borrowed from the Business Development Bank of Canada to repay amounts drawn on the Credit Facility.

As at June 30, 2023, the Company's working capital totalled $50.4 million, compared to $53.4 million as at June 30, 2022, and 37,372,756 common shares were issued and outstanding. Orbit Garant's working capital requirements are primarily related to the funding of inventory and the financing of accounts receivable.

Orbit Garant's audited consolidated financial statements and management's discussion and analysis for the fourth quarter and fiscal year ended June 30, 2023 are available via the Company's website at www.orbitgarant.com or SEDAR+ at www.sedarplus.ca.

Conference Call

Pierre Alexandre, President and CEO, and Daniel Maheu, CFO, will host a conference call for analysts and investors on Wednesday, September 20, 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://emportal.ink/3OKxAbQ 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: 000613 #. The replay will be available until September 27, 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, adjusted EBITDA and adjusted EBITDA margin:	EBITDA is defined as net earnings (loss) before interest, taxe EBITDA is defined as EBITDA excluding the impact of the wr Burkina Faso. Adjusted EBITDA margin is defined as the per revenue.
Adjusted gross profit and adjusted gross margin:	Adjusted gross profit is defined as gross profit excluding depr restructuring in Burkina Faso. Adjusted gross margin is defin contract revenue.

EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin

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, income taxes and restructuring costs. 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, Adjusted EBITDA and Adjusted EBITDA Margin

(unaudited) (in millions of dollars)	Q4 2023	Q4 2022	Fiscal 2023	Fiscal 2022	Fiscal 2021
Net earnings (loss) for the period	(4.1)	0.5	(0.7)	(6.6)	2.3
Add:					
Finance costs	0.9	0.7	3.4	2.2	2.3
Income tax expense	(2.1)	1.9	1.1	3.2	2.5
Depreciation and amortization	2.9	2.6	11.1	11.2	10.5
EBITDA	(2.4)	5.7	14.9	10.0	17.6
Write-down of inventories from restructuring in Burkina Faso	4.2	-	4.2	-	-
Adjusted EBITDA	1.8	5.7	19.1	10.0	17.6
Contract revenue	46.8	53.8	201.0	195.5	163.3
Adjusted EBITDA margin (%) [(1)]	3.8	10.6	9.5	5.1	10.9

[(1)] Adjusted EBITDA, divided by contract revenue X 100

Adjusted Gross Profit and Adjusted Gross Margin

Although adjusted gross profit and adjusted gross 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 Adjusted Gross Margin

(unaudited) (in millions of dollars)	Q4 2023	Q4 2022	Fiscal 2023	Fiscal 2022	Fiscal 2021
Contract revenue	46.8	53.8	201.0	195.5	163.3
Cost of contract revenue	46.2	46.8	182.7	181.7	143.1
Less:	(2.6)	(2.3)	(10.1)	(10.0)	(8.9)
depreciation	(4.2)	-	(4.2)	-	-
write-down of inventories from restructuring in Burkina Faso					
Direct costs	39.4	44.5	168.4	171.7	134.2
Adjusted gross profit	7.4	9.3	32.6	23.8	29.1
Adjusted gross margin (%) [(1)]					

15.9

17.2

16.2

12.2

17.9

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

About Orbit Garant

Headquartered in Val-d'Or, Québec, 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 212 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 world economic climate as it relates to the mining industry; the Canadian economic environment; the Company's ability to attract and retain customers and to manage its assets and operating costs; the political situation in certain jurisdictions in which the Company operates and the operating environment in the jurisdictions in which the Company operates as well as the risks and uncertainties are discussed in the Company's regulatory filings available at www.sedarplus.ca. 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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