



AKITA announces 2021 annual results

CALGARY, AB, March 14, 2022 /CNW/ - **AKITA Drilling Ltd.** (TSX: AKT.A)

AKITA Drilling Ltd. ("AKITA" or the "Company") was more active in 2021 than in 2020 as the impact of the restrictions designed to reduce the spread of the global pandemic eased, and the price of oil and natural gas recovered, increasing 37% and 67%, respectfully over the course of the year. The significant improvements in commodity prices increased demand for drilling services in both Canada and the United States ("US") and resulted in improved activity for both AKITA's Canadian and US operations. The Company's focus in 2021 shifted towards rig reactivations and positioning AKITA's fleet to participate fully in the 2022 drilling year that was anticipated to be strong and which is already off to a favorable start with the active rig count in the US crossing above 600 active rigs in early January and industry utilization in Canada above both 2019, 2020 and 2021 levels at the start of 2022. The Company spent \$16,416,000 on capital expenditures in 2021 (compared to \$7,793,000 in 2020) primarily at the end of the year on rig reactivations and Level-4 inspections that enabled it to activate eleven rigs in Canada to start 2022, compared to eight rigs operating in Canada in the month of January during each of the previous three years. Similarly, the Company operated a total of thirteen rigs in the US in January of 2022, compared with nine the year prior.

Linda Southern-Heathcott, AKITA's Executive Chair and Chief Executive Officer stated: "Coming off collapsed oil and gas commodity prices and low activity levels that characterized the prior year, 2021, in many ways, was a year of recovery for the Company. Capital was spent to reactivate rigs that had been idle and utilization levels improved materially for the both AKITA's Canadian and US divisions. Despite improving activity levels, - low day rates persisted throughout most of the year while supply chain disruptions increased the cost of operations. However, by the end of 2021 it became clear that industry fundamentals were improving, and we are working to secure day rate increases throughout 2022. We expect 2022 to continue to strengthen through the year."

The Company announces annual results for the year ended December 31, 2021. AKITA's net loss for the year ended December 31, 2021 was \$20,990,000 (net loss of \$0.53 per share (basic and diluted)) on revenue of \$110,088,000 compared to a net loss of \$93,274,000 (\$2.35 loss per share (basic and diluted)) on revenue of \$119,664,000 in 2020. The Company recorded an asset impairment loss of \$80,000,000 in 2020. Adjusting for the asset impairment loss, the Company's net loss in 2020 was \$20,674,000 (net loss of \$0.52 per share (basic and diluted)). Net cash used in operating activities for 2021 was \$3,461,000 compared to net cash from operating activities of \$22,860,000 in 2020 and adjusted funds flow from operations⁽¹⁾ decreased to \$7,454,000 in 2021 from \$10,322,000 in the prior year.

CONSOLIDATED FINANCIAL HIGHLIGHTS

\$Thousands except per share amounts	2021	2020	Change	% Change
Revenue	110,088	119,664	(9,576)	(8%)
Operating expenses	89,835	91,855	(2,020)	(2%)
Operating margin ⁽¹⁾	20,253	27,809	(7,556)	(27%)
Margin % ⁽¹⁾	18%	23%	(5%)	(22%)
Net Cash From (Used In) Operating Activities	(3,461)	22,860	(26,321)	(115%)
Adjusted funds flow from operations ⁽¹⁾	7,454	10,322	(2,868)	(28%)
Per share	0.19	0.26	(0.07)	(27%)
Net loss	20,990	93,274	(72,284)	(77%)
Per share	0.53	2.35	(1.82)	(77%)

Capital expenditures	16,416	7,593	8,823	116%
Weighted average shares outstanding	39,608	39,608	-	0%
Total assets	247,574	251,521	(3,947)	(2%)
Total debt	86,156	74,303	11,853	16%

(1) See "Non-GAAP and Supplementary Financial Measures" near the end of this new release for further detail.

United States Operations

\$ Thousands except per day amounts (CAD)	2021	2020	Change	% Change
Revenue US	81,798	91,198	(9,400)	(10%)
Flow through charges	(10,374)	(10,821)	447	4%
Adjusted revenue US⁽¹⁾	71,424	80,377	(8,953)	(11%)
Operating and maintenance expenses US	68,371	70,901	(2,530)	(4%)
Flow through charges	(10,374)	(10,821)	447	4%
Adjusted operating and maintenance expenses US⁽¹⁾	57,997	60,080	(2,083)	(3%)
Adjusted operating margin⁽¹⁾	13,427	20,297	(6,870)	(34%)
Margin % ⁽¹⁾	19%	25%	(6%)	(24%)
Operating days	2,871	2,555	316	12%
Adjusted revenue per operating day ⁽¹⁾	24,878	31,459	(6,581)	(21%)
Adjusted operating and maintenance per operating day ⁽¹⁾	20,201	23,515	(3,314)	(14%)
Adjusted operating margin per operating day ⁽¹⁾	4,677	7,944	(3,267)	(41%)
Utilization ⁽¹⁾	46%	41%	5%	12%
Rig count	16	17	(1)	(6%)

(1) See "Non-GAAP and Supplementary Financial Measures" near the end of this new release for further detail.

Activity levels in the US over 2021 improved for both AKITA and in industry over the low levels seen in 2020, albeit at a measured pace. Operating days increased 12% to 2,871 in 2021 from 2,555 in 2020. The active rig count for AKITA grew from nine rigs in January of 2021, to 13 rigs by the end of 2021.

Despite the increase in operating days, adjusted revenue decreased to \$71,424,000 in 2021 from \$80,377,000 in 2020. The decrease in adjusted revenue per day, to \$24,878 in 2021 from \$31,459 in 2020 drove the decrease in total adjusted revenue. High day rates in 2019 that carried into the first half of 2020 declined significantly in the second half of 2020, due to the demand destruction resulting from efforts to mitigate the spread of the global pandemic. Low day rates persisted through the first three quarters of 2021 causing average day rates to decrease 21% year over year. The Company also received contract cancelation revenue in the first quarter of 2020 of \$1,655,000, which contributed to higher day rates in 2020. Revenue in the US accounted for 62% of the Company's total 2021 adjusted revenue, down from 76% in 2020.

Adjusted operating and maintenance expenses decreased to \$57,997,000 in 2021 from \$60,080,000 in 2020 despite higher operating days in 2021. Adjusted operating and maintenance costs per day decreased to \$20,201 in 2021 from \$23,515 in 2020 due to two factors. First, the rigs that operated in 2021 had steadier drilling programs throughout the year. Second, move costs incurred in 2020 of \$1,000,000 added to adjusted operating and maintenance costs for the year.

Canadian Operations

\$Thousands except per day amounts	2021	2020	Change	% Change
Revenue Canada	28,290	28,466	(176)	(1%)
Revenue from joint venture drilling rigs	15,893	5,094	10,799	212%
Flow through charges	(3,512)	(6,835)	3,323	49%
Adjusted revenue Canada⁽¹⁾	40,671	26,725	13,946	52%
Operating and maintenance expenses Canada	21,489	20,954	535	3%
Operating and maintenance expenses from joint venture drilling rigs	13,626	4,352	9,274	213%
Flow through charges	(3,512)	(6,835)	3,323	49%

Adjusted operating and maintenance expenses Canada⁽¹⁾	31,603	18,471	13,132	71%
Adjusted operating margin⁽¹⁾	9,068	8,254	814	10%
Margin % ⁽¹⁾	22%	31%	(9%)	(29%)
Operating days	1,594	945	649	69%
Adjusted revenue per operating day ⁽¹⁾	25,515	28,280	(2,765)	(10%)
Adjusted operating and maintenance per operating day ⁽¹⁾	19,826	19,546	280	1%
Adjusted operating margin per operating day ⁽¹⁾	5,689	8,734	(3,045)	(35%)
Utilization ⁽¹⁾	22%	13%	9%	69%
Rig count	20	20	-	0%

⁽¹⁾ See "Non-GAAP and Supplementary Financial Measures" near the end of this news release for further detail.

During 2021, AKITA achieved 1,594 operating days in Canada, which corresponds to an annual utilization rate of 22%, compared to a 2021 industry average of 25% and a 2020 utilization rate for the Company of 13% (945 days). The increase in AKITA's operating days in 2021 compared to 2020 is attributable to the increase in activity for AKITA's oil sands triple pad rigs that achieved 496 more days than the previous year as activity in the oil sands improved in the second half of 2021.

Canadian adjusted revenue of \$40,671,000 in 2021 was 52% higher than 2020 revenue of \$26,725,000, due to increased activity in 2021 but was offset by lower average day rates. Adjusted revenue per day decreased to \$25,515 in 2021 from \$28,280 in 2020. Lower adjusted revenue per day in Canada compared to 2020 was due to two factors: the mix of rigs working in 2021, with more lower margin rigs working in 2021, and because labour contract revenue earned in 2020 was not earned in 2021. Together, these factors decreased revenue per day by \$1,034. Included in the Canadian operating results for 2021 is AKITA's share of revenue and costs from its joint ventures, as AKITA provides the same drilling services through its joint venture drilling rigs as it does through its wholly-owned rigs.

Adjusted operating and maintenance expenses are tied to activity levels and increased to \$31,603,000 in 2021 from \$18,471,000 in 2020, equal to a 69% increase in operating costs, which is in-line with the 69% increase in operating days. On a per day basis, adjusted operating and maintenance costs remained essentially flat, year over year. Increased costs in the industry for supplies as well as labour costs, were offset by the Canadian Emergency Wage Subsidy ("CEWS") of \$3,450,000 in 2021 compared to \$1,820,349 in 2020.

FURTHER INFORMATION

This news release shall be used as preparation for reading the full disclosure documents. AKITA's audited consolidated financial statements and management's discussion and analysis for the year ended December 31, 2021 will be available on the AKITA website (www.akita-drilling.com) or via SEDAR (www.sedar.com) or can be requested in print from the Company.

Non-GAAP and Supplementary Financial Measures

Non-GAAP Financial Measures

Adjusted Revenue and Operating and Maintenance Expenses in Canada

Revenue and operating and maintenance expenses in AKITA's Canadian operating segment include revenue and expenses from AKITA's wholly-owned drilling rigs as well as its share of joint venture revenue and expenses. Excluded from the revenue and expenses in AKITA's Canadian operating segment are flow through charges that are billed to operators and repaid to the Company. The volume and timing of the flow through charges can artificially impact the operational per day analysis and as a result management and certain investors may find the comparability between periods is improved when these flow through charges are excluded from revenue per day and operating and maintenance expense per day. The flow through charges do not have any impact on the Company's net earnings as the amounts offset each other.

Adjusted Revenue and Operating and Maintenance Expenses in United States

Excluded from adjusted revenue and expenses in AKITA's US operating segment are flow through charges that are billed to operators and repaid to the Company. The volume and timing of the flow through charges can artificially impact the operational per day analysis and as a result management and certain investors may find the comparability between periods is improved when these flow through charges are excluded from revenue per day and operating and maintenance expense per day. The flow through charges do not have any impact on the Company's net earnings as the amounts offset each other.

Adjusted Funds Flow from Operations

Adjusted funds flow from operations is not a recognized GAAP measure under IFRS and readers should note that AKITA's method of determining adjusted funds flow from operations may differ from methods used by other companies, and includes cash flow from operating activities before working capital changes, equity income from joint ventures, and income tax amounts paid or recovered during the period. Nonetheless, management and certain investors may find adjusted funds flow from operations to be a useful measurement to evaluate the Company's operating results at year-end and within each year, since the seasonal nature of the business affects the comparability of non-cash working capital changes both between and within periods.

\$Thousands	2021	2020
Net cash from operating activities	(3,461)	22,860
Income tax recoverable	-	(275)
Current income tax expense (recovery)	-	116
Interest paid	3,422	5,479
Interest expense	(3,553)	(5,637)
Post-employment benefits paid	198	104
Equity income from joint ventures	1,981	650
Change in non-cash working capital	8,867	(12,975)
Adjusted funds flow from operations	7,454	10,322

Non-GAAP Ratios

"Adjusted funds flow from operations per share" is calculated on the same basis as net loss per class A and class B share basic and diluted, utilizing the basic and diluted weighted average number of class A and class B shares outstanding during the periods presented.

"Adjusted revenue per operating day" may be useful to analysts, investors, other interested parties and management as a measure of pricing strength and is calculated by dividing adjusted revenue by the number of operating days for the period.

"Adjusted operating and maintenance expenses per operating day" may be useful to analysts, investors, other interested parties and management as it demonstrates a degree of cost control and provides a proxy for specific inflation rates incurred by the Company

FORWARD-LOOKING INFORMATION:

Certain statements contained in this news release may constitute forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "will", "intend", "should", and similar expressions.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information.

The Company's actual results could differ materially from those anticipated in this forward-looking information as a result of regulatory decisions, competitive factors in the industries in which the Company operates, prevailing economic conditions, and other factors, many of which are beyond

the control of the Company.

The Company believes that the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information should not be unduly relied upon.

Any forward-looking information contained in this news release represents the Company's expectations as of the date hereof, and is subject to change after such date. The Company disclaims any intention or obligation to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required by applicable securities legislation.

SOURCE AKITA Drilling Ltd.

 View original content to download multimedia:

<http://www.newswire.ca/en/releases/archive/March2022/14/c1650.html>

%SEDAR: 00002868E

For further information: INVESTOR INQUIRIES: Darcy Reynolds, CPA, CA, Vice President, Finance and Chief Financial Officer, (403) 292-7537

CO: AKITA Drilling Ltd.

CNW 18:34e 14-MAR-22