

Orbit Garant Drilling Reports Fiscal 2015 Third Quarter Financial Results

Val-d'Or, QC, May 12, 2015 /CNW/ - Orbit Garant Drilling Inc. (TSX: OGD) ("Orbit Garant" or the "Company") today announced its financial results for the three and nine-month periods ended March 31, 2015. All dollar amounts are in Canadian currency unless otherwise stated. Percentage calculations are based on numbers in the financial statements and may not correspond to rounded figures presented in this news release.

Third Quarter Summary

(\$ amounts in millions, except per share amounts)	Three months ended Mar. 31, 2015	Three months ended Mar. 31, 2014	Nine months ended Mar. 31, 2015	Nine months ended Mar. 31, 2014
Revenue	\$18.7	\$16.0	\$56.2	\$51.3
Gross Profit (loss)	\$0.0	(\$1.1)	\$1.6	\$2.0
Gross Margin (%)	0.2	(6.7)	2.9	4.0
Adjusted Gross Margin (%)*	11.8	7.9	14.8	17.7
EBITDA**	\$0.2	(\$1.1)	\$1.5	\$1.5
Net loss	(\$2.0)	(\$2.9)	(\$5.4)	(\$5.5)
Net loss per share				
- Basic and diluted	(\$0.06)	(\$0.09)	(\$0.16)	(\$0.17)
Total metres drilled	215,776	205,441	640,060	590,984

* In accordance with IFRS, reported gross profit and margin include certain depreciation expenses. For comparative purposes, adjusted gross margin is also shown excluding these depreciation expenses.

** EBITDA is defined as earnings before interest, taxes, depreciation, and amortization.

"We are pleased to report year-over-year growth in revenue, total metres drilled and adjusted gross margin in our fiscal 2015 third quarter. Despite continued difficult market conditions in the mineral drilling industry, we believe our domestic drilling business in Canada, which currently accounts for more than 90% of our revenue, has now shown signs of stabilization," said Eric Alexandre, President and CEO of Orbit Garant.

"Our focus on building our international business, which includes the recent establishment of new Orbit Garant subsidiaries in Chile and Ghana, is beginning to generate positive momentum. We just completed the first full quarter of operations at our new drilling project in Chile, and despite a temporary project delay at the end of the quarter due to local area flooding, our performance for this important customer has been strong. We are encouraged by the new opportunities we are seeing in this major market. We also continue our market development efforts in West Africa and look forward to updating our stakeholders on new developments as they occur," continued Mr. Alexandre. "Our increased focus on international market opportunities has recently resulted in business development discussions with a number of new and existing customers. We are pleased to report that we recently secured a new mineral drilling contract in Kazakhstan, which we expect to commence in the first quarter of fiscal 2016. While Canada will remain the foundation of our business, and comprise the majority of our revenue going forward, we are confident that our investment in expanding our international presence will further strengthen our platform for growth as market conditions improve."

"Looking ahead, we will remain committed to disciplined cost management in line with market conditions, while also ensuring we are strategically positioned to exploit growth opportunities, through our continued focus on innovation, retaining highly skilled personnel, and maintaining strong health and safety standards. Further, we believe the current market environment presents acquisition opportunities and we will prudently evaluate these opportunities with a view to further strengthening our growth platform."

Third Quarter Results

For the three months ended March 31, 2015 ("Q3 FY2015") revenue totaled \$18.7 million, up 17.3% from \$16.0 million for the three-month period ended March 31, 2014 ("Q3 FY2014"). Drilling Canada revenue increased 14.5% to \$17.8 million, up from \$15.2 million in Q3 FY2014, reflecting increased metres drilled and higher average revenue per metre drilled and the sale of four drill rigs in the quarter. Drilling International revenue increased by 18.6% to \$0.9 million in Q3 FY2015, up from \$0.8 million in Q3 FY2014. The \$0.1 million increase is attributable to the Company's new drilling contract in Chile, which commenced during the second quarter. Orbit Garant's fleet drilled a total of 215,776 metres in Q3 FY2015, an increase of 5.0% from 205,441 metres drilled in Q3 FY2014. Average revenue per metre drilled was \$80.72 compared to \$76.06 in Q3 FY2014. Average revenue per metre drilled remains at the lower end of the Company's trailing three-year range, primarily due to current conditions in the mineral industry, which have resulted in pricing pressure from customers, as well as a decline in the Company's specialized drilling activity, which is typically charged at a higher rate.

Gross profit for Q3 FY2015 was negligible compared to a gross loss of \$1.1 million in Q3 FY2014. Gross margin for Q3 FY2015 was 0.2% compared with (6.7%) in the third quarter a year ago. In accordance with IFRS, depreciation expenses totalling \$2.2 million are included in cost of contract revenue for Q3 FY2015, compared to \$2.3 million in Q3 FY2014. Adjusted gross margin, excluding depreciation expenses, was 11.8% in Q3 FY2015, compared to 7.9% in Q3 FY2014. Improved gross profit, gross margin and adjusted gross margin was primarily attributable to increased average revenue per metre drilled, increased metres drilled, and the sale of four new drill rigs to third parties. The impact of these gains was partially offset by a reduction in higher margin specialized drilling activity, project start-up costs at the Company's new project site in Chile, combined with a temporary delay in operations at this project in the last week of the quarter due to local area flooding caused by heavy rains.

General and administrative (G&A) expenses totalled \$2.8 million, or 14.7% of revenue, in Q3 FY2015, compared to \$2.9 million, or 18.1% of revenue, in Q3 FY2014. In accordance with IFRS, depreciation and amortization expenses of \$0.4 million are included in G&A expenses for Q3 FY2015, in line with Q3 FY2014. Adjusted G&A expenses, excluding depreciation and amortization expenses were \$2.4 million, or 12.5% of revenue, in Q3 FY2015, compared to \$2.5 million, or 15.6% of revenue, in Q3 FY2014. The Company has incurred additional G&A expenses in Q3 FY2015 to support its new offices and business development activities in Chile and Ghana.

Earnings before interest, taxes, depreciation and amortization ("EBITDA")¹ was \$0.2 million in Q3 FY2015, compared to \$(1.1) million in the third quarter a year ago, an increase of \$1.3 million.

The Company's net loss for Q3 FY2015 was \$2.0 million, or \$0.06 per share, compared to a net loss of \$2.9 million, or \$0.09 per share, in Q3 FY2014.

Orbit Garant also announced today the cancellation of an aggregate of 1,357,500 previously outstanding options in exchange for nominal consideration. All of the cancelled options were significantly "out-of-the-money" based on current trading prices of the Company's common shares and were therefore no longer functioning as an effective tool for retaining and incentivizing employees while taking up a significant portion of the pool of options available for grant under the Company's stock option plan.

During Q3 FY2015, the Company withdrew a net amount of \$0.5 million of its \$25.0 million revolving credit facility. As at March 31, 2015, the Company's long-term debt, including the current portion, was \$5.3 million net of financing fees of \$0.2 million. Orbit Garant had working capital of \$42.3 million at March 31, 2015 (\$37.1 million as at June 30, 2014), and 33,276,519 common shares issued and outstanding.

Orbit Garant's unaudited interim condensed consolidated financial statements and management's discussion and analysis for the three and nine-month periods ended March 31, 2015 are available via the Company's website at www.orbitgarant.com or SEDAR at 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 Wednesday, May 13, 2015 at 10:00 a.m. (ET). The dial-in numbers for the conference call are 647-427-7450 or 1-888-231-8191. A live and archived webcast of the call will be accessible via Orbit Garant's website at: <http://www.orbitgarant.com/en/sites/fog/investors.aspx>

To access a replay of the conference call dial 416-849-0833 or 1-855-859-2056, passcode: 35484460. The replay will be available until May 20, 2015.

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 214 drill rigs and approximately 600 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

(1) Management believes that EBITDA is a useful supplemental measure of operating performance before interest, taxes, depreciation and amortization. However, EBITDA is not a recognized earnings measure under IFRS and does not have a standardized meaning prescribed by IFRS. Investors are cautioned that EBITDA should not be construed as an alternative to net income or loss (which is determined in accordance with IFRS) as an indicator of the performance of the Company or as a measure of liquidity and cash flows. The Company's method of calculating EBITDA may differ materially from the methods used by other public companies and, accordingly, may not be comparable to similarly named measures used by other public companies.

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. These 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.

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