

Orbit Garant Drilling Reports Fiscal 2020 Fourth Quarter and Year-End Financial Results

VAL-D'OR, QC, Sept. 28, 2020 /CNW/ - Orbit Garant Drilling Inc. (TSX: OGD) ("Orbit Garant" or the "Company") today announced its financial results for the three-month period ("Q4 FY2020") and year ended June 30, 2020. All dollar amounts are in Canadian dollars 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.

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak to be a global pandemic. Governments responded by implementing emergency measures to minimize the spread of the virus, including the temporary shutdown of businesses deemed to be non-essential. Orbit Garant's operations were significantly impacted by these measures beginning in mid-March 2020, as a number of its drilling projects were put on hold or postponed. In Quebec, as a result of the provincial government's order to minimize non-essential business activity, the Company's operations were suspended from March 24, 2020 until April 20, 2020, at which time they were permitted to resume in a gradual manner. In addition, drilling activity on certain projects in Nunavut Territory and Ontario was temporarily reduced or suspended. Orbit Garant's international drilling operations were also affected, either as a result of government restrictions on certain business activities, or customer decisions to reduce or delay certain projects in this challenging environment.

Financial Results Summary

(\$ amounts in millions, except per share amounts)	Three months ended June 30, 2020	Three months ended June 30, 2019	Year ended June 30, 2020	Year ended June 30, 2019
Revenue	\$20.2	\$44.4	\$137.8	\$152.8
Gross Profit	\$2.3	\$4.7	\$12.9	\$16.3
Gross Margin (%)	11.5	10.6	9.4	10.7
Adjusted Gross Margin (%) ¹	23.3	15.8	16.3	16.4
EBITDA ²	\$0.3	\$2.6	\$6.8	\$8.3
Net earnings (loss)	\$(2.7)	\$(0.8)	\$(7.4)	\$(3.5)
Net earnings (loss) per share				
- Basic and diluted	\$(0.08)	\$(0.02)	\$(0.20)	\$(0.09)
Total metres drilled	186,138	438,582	1,297,838	1,427,587

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".

"We had strong momentum in our domestic drilling business in fiscal 2020 up until we were impacted by the COVID- 19 pandemic beginning in mid-March," said Eric Alexandre, President and CEO of Orbit Garant. "We implemented multiple initiatives to lower our costs and manage our liquidity position during this period of reduced drilling activities, including a reduction in capital expenditures and reduced investment in working capital. Importantly, we implemented these measures without impacting our ability to ramp up our business as market conditions improve. Further, effective April 1, 2020, our senior management team and directors have taken a temporary 15 percent reduction in their remuneration to further support the Company. We recorded \$3.6 million in financial support from the Canada Emergency Wage Subsidy program in our fourth quarter that helped to mitigate the impact of COVID-19 on our business. We also modified our existing financing agreements with our lenders and we secured financing in Chile through our Chilean subsidiary that have provided us with additional financial flexibility. As governments have now eased COVID-19 related business restrictions, we are gradually ramping our operations back up, and look forward to resuming our momentum from prior to the pandemic."

"As we continue to ramp up our operations, we will maintain our focus on prioritizing the health and safety of our employees and the communities in which we operate," continued Mr. Alexandre. "With the price of gold currently near an all-time high, the economics of gold mining have improved significantly, and with approximately 66% of our revenues generated from gold related operations, we expect demand for our services to strengthen as global economic conditions stabilize."

Provision for litigation

In June 2020, a claim by a financial institution (the "Claimant") for damages against a subsidiary of the Company in the amount of 843.7 million West African Francs ("XOF") (\$1.97 million) was confirmed by a court in Burkina Faso. This claim relates to an amount of XOF 8.6 million (\$0.02 million) owed by the Company's subsidiary to a supplier, which was indebted to the Claimant. The Company vigorously disputes this claim and has filed an appeal. Based on legal advice, management believes that the claim is unfounded, and that the appeal will be successful. Nonetheless, given the original claim was confirmed by the court, the Company recorded a provision of XOF 871.5 million (\$2.03 million) in Q4 FY2020 for this claim and additional legal fees.

Fourth Quarter Results

Revenue for Q4 FY2020 totalled \$20.2 million, compared to \$44.4 million for the three-month period ended June 30, 2019 ("Q4 FY2019"). Canada revenue totalled \$16.4 million in Q4 FY2020, compared to \$31.6 million in Q4 FY2019, reflecting the negative impact of the COVID-19 pandemic on drilling activities. International revenue decreased to \$3.8 million in Q4 FY2020, from \$12.8 million in Q4 FY2019. The decrease in International revenue was primarily attributable to the impact of the COVID-19 pandemic and the completion of a multi-year drilling contract in Chile at the beginning of Q4 FY2019.

Orbit Garant drilled a total of 186,138 metres in Q4 FY2020, compared to 438,582 metres drilled in Q4 FY2019. The Company's average revenue per metre drilled in Q4 FY2020 was \$108.36, compared to \$101.01 in Q4 FY2019.

Gross profit for Q4 FY2020 was \$2.3 million, or 11.5% of revenue, compared to \$4.7 million, or 10.6% of revenue, in Q4 FY2019. Depreciation expenses totalling \$2.4 million are included in the cost of contract revenue for Q4 FY2020, compared to \$2.3 million in Q4 FY2019. Adjusted gross margin, excluding depreciation expenses, was 23.3% in Q4 FY2020, compared to 15.8% in Q4 FY2019. Lower gross profit was primarily attributable to the impact of the COVID-19 pandemic, which resulted in a reduction of drilling activities. The cost of contract revenue was reduced by \$3.2 million in Q4 FY2020 as a result of financial support from the Canada Emergency Wage Subsidy ("CEWS") program, which positively impacted gross margin and adjusted gross margin.

General and administrative ("G&A") expenses were \$2.9 million, or 14.1% of revenue, in Q4 FY2020, compared to \$4.4 million, or 9.8% of revenue, in Q4 FY2019. G&A expenses in Q4 FY2019 included \$0.2 million of acquisition and integration costs related to the acquisition of the drilling business of Projet Production International BF S.A. ("PPI") in Burkina Faso. There were no such costs in Q4 FY2020 and the Company implemented certain measures in the quarter that reduced G&A expenses. The Company expects that some of these measures will result in year-over-year G&A expense reduction in future quarters. G&A expenses in Q4 FY2020 also reflect a \$0.4 million reduction resulting from financial support received from the CEWS program.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") was \$0.3 million in Q4 FY2020, compared to \$2.6 million in Q4 FY2019. The impact of the pandemic and the \$2.03 million provision for litigation, as noted above, contributed to the decline in EBITDA in Q4 FY2020. EBITDA in Q4 FY2020 includes \$3.6 million in financial support that the Company recorded from the CEWS program. Net loss for Q4 FY2020 was \$2.7 million, or \$0.08 per share, compared to net loss of \$0.8

million, or \$0.02 per share, in Q4 FY2019. The impact of the pandemic and the \$2.03 million provision for litigation were the principal reasons for the Company's net loss in Q4 FY2020. These factors were partially offset by the \$3.6 million grant recorded from the CEWS program.

Fiscal 2020 Results

Revenue in Fiscal 2020 totalled \$137.8 million, compared to \$152.8 million in Fiscal 2019. The decrease in revenue was primarily attributable to a decline in drilling activities in Canada and internationally due to the impact of the COVID-19 pandemic starting in mid-March 2020. Prior to the pandemic, revenue was higher in Fiscal 2020 compared to Fiscal 2019, due to increased drilling activity in Canada, partially offset by a slight decline in international drilling activity.

Canada revenue was \$109.0 million in Fiscal 2020, compared to \$109.5 million in Fiscal 2019. The decrease was primarily attributable to a significant decline in metres drilled starting in mid-March 2020 due to the pandemic. International revenue totalled \$28.8 million in Fiscal 2020, compared to \$43.3 million in Fiscal 2019. The decrease in international revenue is attributable to the impact of the pandemic and the conclusion of a multi-year drilling contract in Chile at the beginning of the Q4 FY2019.

Gross profit for Fiscal 2020 was \$12.9 million, or 9.4% of revenue, compared to \$16.3 million, or 10.7% of revenue, in Fiscal 2019. Depreciation expenses totalling \$9.5 million are included in cost of contract revenue for Fiscal 2020, compared to \$8.8 million in Fiscal 2019. Adjusted gross margin, excluding depreciation expenses, was 16.3% in Fiscal 2020, compared to 16.4% in Fiscal 2019. The decrease in gross profit and gross margin was primarily attributable to the impact of the COVID-19 pandemic and a decline in international specialized drilling activity. The cost of contract revenue was reduced by \$3.2 million in Q4 FY2020 as a result of the financial support received from the CEWS program, which had a positive impact on gross margin and adjusted gross margin for Fiscal 2020.

G&A expenses in Fiscal 2020 were \$15.4 million, representing 11.2% of revenue, compared to G&A expenses of \$17.3 million, representing 11.3% of revenue, in Fiscal 2019. The decrease in G&A expenses reflects the \$1.1 million of acquisition and integration costs related to the acquisition of the drilling business of PPI in Fiscal 2019, a \$0.4 million reduction in G&A expense in Q4 FY2020 resulting from financial support from the CEWS program, and cost saving measures implemented in the second half of 2020.

EBITDA totalled \$6.8 million in Fiscal 2020, compared to \$8.3 million in Fiscal 2019. The decline in EBITDA in Fiscal 2020 reflects the impact of the pandemic and the \$2.03 million provision for litigation in Burkina Faso, as noted above, partially offset by the Company's year-over-year increase in revenue prior to the pandemic, cost saving measures implemented in the second half of Fiscal 2020 and the \$3.6 million grant recorded from the CEWS program in Q4 FY2020. EBITDA in Fiscal 2019 also reflects \$1.1 million of acquisition and integration costs related to the acquisition of the drilling business of PPI in Fiscal 2019.

Net loss for Fiscal 2020 was \$7.4 million, or \$0.20 per share, compared to net loss of \$3.5 million, or \$0.09 per share, in Fiscal 2019. The decline in drilling activities due to the impact of the COVID-19 pandemic starting in mid-March 2020 and the \$2.03 million provision for litigation, as noted above, contributed to the Company's net loss for Fiscal 2020. These factors were partially offset by the \$3.6 million recorded from the CEWS program in Q4 FY2020. The Company's net loss for Fiscal 2019 includes \$1.1 million of acquisition and integration costs, before income taxes, related to the acquisition of the drilling business of PPI (or \$0.8 million of acquisition and integration costs, net of income taxes).

Liquidity and Capital Resources

Orbit Garant's primary sources of liquidity are cash flows from operations and borrowings under a credit facility (the "Credit Facility") with National Bank of Canada. The Credit Facility consists of a \$35.0 million revolving credit facility and a US\$5.0 million revolving credit facility. The current term of the Credit Facility expires on November 2, 2021. During Fiscal 2020, Orbit Garant generated \$3.7 million from financing activities, compared to \$10.7 million in Fiscal 2019. The Company withdrew a net amount of \$3.2 million during Fiscal 2020 on its Credit Facility, compared to a withdrawal of \$7.2 million in Fiscal 2019. 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 \$28.7 million as at June 30, 2020, compared to \$25.3 million as at June 30, 2019. The increase was incurred to support working capital requirements and the acquisition of capital assets, property, plant and equipment. Further amendments to the Credit Agreement were executed in March and June 2020 to modify certain of the financial covenants applicable to Q4 FY2020 and future quarters.

On December 20, 2018 Orbit Garant entered into an additional loan agreement with Export Development Canada ("EDC") for a term loan in the principal amount of up to US\$5.15 million. Orbit Garant is required to repay this loan in 57 consecutive monthly installments commencing May 2019, and maturing January 2024. On April 23, 2020, the Company and EDC made arrangements whereby, among other things, all payments of principal and accrued interest under EDC loans were deferred until October 16, 2020 and therefore the terms of these loans were extended by six months.

In May 2020, Orbit Garant Chile S.A., a wholly-owned subsidiary of the Company, obtained two loans totaling CLP\$1,000 million (approximately \$1.7 million) from Banco Scotiabank. The loans bear interest at a rate of 3.5% per annum, have a term of 36 months and are 70% guaranteed by the Chilean government as part of a government program in response to COVID-19. The loans have no capital repayments for the first six months and the interest over such period will be payable on the first instalment.

As at June 30, 2020, the Company's working capital was \$52.1 million (\$55.1 million as at June 30, 2019) and 37,021,756 common shares were issued and outstanding.

Orbit Garant's audited consolidated financial statements and management's discussion and analysis for the fourth quarter and year ended June 30, 2020 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 Tuesday, September 29, 2020 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/sites/fog/investors.aspx>.

To access a replay of the conference call, dial 416-764-8677 or 1-888-390-0541, passcode: 961966 #. The replay will be available until October 6, 2020. 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) (in millions of dollars)	3 months ended June 30, 2020	3 months ended June 30, 2019	12 months ended June 30, 2020	12 months ended June 30, 2019
Net earnings (loss) for the period	(2.7)	(0.8)	(7.4)	(3.5)
Add:				
Finance costs	0.6	0.6	2.7	2.1
Income tax expense (recovery)	(0.4)	0.2	0.2	(0.3)
Depreciation and amortization	2.8	2.6	11.3	10.0
EBITDA	0.3	2.6	6.8	8.3

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) (in millions of dollars)	3 months ended June 30, 2020	3 months ended June 30, 2019	12 months ended June 30, 2020	12 months ended June 30, 2019
Contract revenue	20.2	44.4	137.8	152.8
Cost of contract revenue (including depreciation)	17.9	39.7	124.9	136.5
Less depreciation	(2.4)	(2.3)	(9.5)	(8.8)
Direct costs	15.5	37.4	115.4	127.7
Adjusted gross profit	4.7	7.0	22.4	25.1
Adjusted gross margin (%) ⁽¹⁾	23.3	15.8	16.3	16.4

⁽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 231 drill rigs and more than 1,100 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.

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