

ORBIT GARANT DRILLING REPORTS FISCAL 2022 THIRD QUARTER FINANCIAL RESULTS

– Revenue growth driven by increased pricing on drilling contracts in Canada and increased international drilling activity; temporary cost pressures and Omicron-related disruptions continue to impact margins –

VAL-D'OR, QC, May 11, 2022 /CNW/ - Orbit Garant Drilling Inc. (TSX: OGD) ("Orbit Garant" or the "Company") today announced its financial results for the three-month ("Q3 2022") and nine-month periods ended March 31, 2022. All dollar amounts are in Canadian dollars unless otherwise stated.

Q3 2022 Financial Highlights

(\$ amounts in millions, except per share amounts)	Three months ended March 31, 2022	Three months ended March 31, 2021	Nine months ended March 31, 2022	Nine months ended March 31, 2021
Revenue	\$45.2	\$40.5	\$141.6	\$112.2
Gross Profit	\$0.3	\$3.2	\$6.8	\$17.3
Gross Margin (%)	0.7	7.8	4.8	15.4
Adjusted Gross Margin (%) ¹	6.7	13.1	10.3	21.5
EBITDA ²	\$(0.5)	\$3.6	\$4.3	\$16.3
Net earnings (loss)	\$(4.1)	\$0.7	\$(7.1)	\$4.5
Net earnings (loss) per share				
- Basic and diluted	\$(0.11)	\$0.02	\$(0.19)	\$0.12
Total metres drilled	430,508	431,370	1,339,305	1,159,046

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 continue to experience strong customer demand in both our Canadian and our international operations. Our increased pricing on drilling contracts in Canada is positively impacting our results, but reduced productivity in Canada due to adverse weather conditions affecting drilling operations more than usual, a higher proportion of less experienced drillers, and Omicron-related work interruptions, which resulted in approximately 16,000 lost hours of labour representing a significant loss of revenue while having to absorb the associated costs, had a significant negative impact on our overall performance in the quarter. Our margins in Canada were further impacted by higher costs related to driller training, fuel and materials, wages, and project ramp-ups," said Eric Alexandre, President and CEO of Orbit Garant. "We are generating strong revenue growth in our international operations with year-over increases in revenue of 34.4% and 89.5% in our third quarter and year-to-date, respectively, driven by our new long-term contracts in Chile and Guinea. However, we continued to incur mobilization costs in the quarter related to these projects, and similar to our Canadian operations, margins in our international operations were negatively impacted by higher costs for fuel and materials, and Omicron-related work interruptions, particularly in Chile."

"Looking ahead, we expect continued strong demand for our services. We do not expect to experience significant Omicron-related work interruptions in our fourth quarter and weather conditions in Canada are improving. We also expect our margins to improve as the price increases we have implemented on our contracts continue to offset increased wage, materials and fuel costs, and our international mobilization costs decline. The costs we have incurred for our extensive driller training program and short-term project ramp-ups in Canada, as well as new project mobilizations in our international operations, have positioned us to generate improved profitability in our fourth quarter and into fiscal 2023."

Third Quarter Results

Revenue for Q3 2022 totalled \$45.2 million, an increase of 11.6% compared to \$40.5 million for the three-month period ended March 31, 2021 ("Q3 2021"), reflecting increased pricing in Canada and increased international drilling activity. Canada revenue totalled \$32.5 million in the quarter, an

increase of 4.7% compared to \$31.1 million in Q3 2021, reflecting sustained domestic demand for the Company's drilling services in Q3 2022 and improved pricing on drilling contracts. International revenue increased 34.4% to \$12.7 million in Q3 2022, from \$9.4 million in Q3 2021, due to new long-term contracts in Chile and Guinea.

Orbit Garant drilled 430,508 metres in the quarter, similar to 431,370 metres drilled in Q3 2021. The Company's average revenue per metre drilled in Q3 2022 was \$104.86, an increase of 12.9% compared to \$92.90 in Q3 2021. The increase in average revenue per metre drilled was primarily attributable to improved pricing in Canada on drilling contracts, partially offset by a lower proportion of specialized drilling activity.

Gross profit for Q3 2022 was \$0.3 million, or 0.7% of revenue, compared to \$3.2 million, or 7.8% of revenue, in Q3 2021. Depreciation expenses totalling \$2.7 million are included in the cost of contract revenue for Q3 2022, compared to \$2.2 million in Q3 a year ago. Adjusted gross profit in Q3 2022, excluding depreciation expenses, was \$3.0 million, compared to \$5.3 million in Q3 2021. Adjusted gross margin was 6.7% in Q3 2022, compared to 13.1% in Q3 2021. The Company's margins in Q3 2022 were negatively impacted by a decline in productivity in Canada attributable to adverse weather conditions affecting drilling operations more than usual and a higher proportion of less experienced drillers due to the scarcity of workers. Orbit Garant's margins in Canada were also impacted by increased driller wage rates and employee training costs. Orbit Garant is also experiencing supply chain disruptions in all the regions in which it operates and cost inflation for materials and fuel, related to the pandemic and the recent invasion of Ukraine by Russia and related international sanctions, which have also negatively impacted gross margins. The Company also experienced temporary interruptions to work in progress during Q3 2022 due to the Omicron outbreak, particularly in Canada and Chile.

General and administrative expenses were \$3.8 million, or 8.5% of revenue, in Q3 2022, compared to \$3.7 million, or 9.0% of revenue, in Q3 2021.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") (loss) totalled \$(0.5) million in Q3 2022, compared to \$3.6 million in Q3 2021. Net loss for Q3 2022 was \$4.1 million, or \$0.11 per share, compared to net earnings of \$0.7 million, or \$0.02 per share, in Q3 a year ago. The negative variances were primarily attributable to adverse weather conditions affecting drilling operations more than usual, increased driller training and project ramp-up costs in Canada, new project mobilization costs in Chile and Guinea, higher costs of materials, fuel and wages, and Omicron-related work interruptions, partially offset by increased pricing on drilling contracts in Canada. EBITDA and net earnings in Q3 2021 were also positively impacted by the reversal of a \$1.96 million provision for litigation in Burkina Faso.

Liquidity and Capital Resources

The Company withdrew a net amount of \$2.1 million during Q3 2022 on its Credit Facility, compared to a withdrawal of \$3.1 million in Q3 2021. The Company's long-term debt under the Credit Facility, including US\$1.0 million (\$1.3 million) drawn from the US\$5.0 million revolving credit facility and the current portion, was \$26.3 million as at March 31, 2022, compared to \$24.3 million as at June 30, 2021. The debt was used to support working capital requirements and the acquisition of capital assets, property, plant and equipment.

As at March 31, 2022, the Company's working capital was \$46.9 million, compared to \$54.0 million as at June 30, 2021. As at March 31, 2022, the Company complied with all covenants in the Credit Facility and in the Export Development Canada Loan Agreement except for the total debt to EBITDA and interest coverage financial covenants. Orbit Garant has obtained a waiver from National Bank on its obligation to comply with these financial covenants for the period commencing on January 1, 2022, and ending on May 15, 2022. On May 10, 2022, the Company and National Bank entered into an amendment to the Credit Facility pursuant to which the Company expects to comply with all of the

covenants applicable to Q4 2022 and future quarters. As at March 31, 2022, the Company complied with the new total debt to EBITDA and interest coverage financial covenants of this amendment of the Credit Facility. The Company expects that availability under the Credit Facility will continue to provide it with sufficient liquidity to fund its working capital and capital asset acquisition requirements. The Company's working capital requirements are primarily related to the funding of inventory and the financing of accounts receivable.

As at March 31, 2022, 37,372,756 common shares were issued and outstanding.

Orbit Garant's unaudited interim consolidated financial statements and management's discussion and analysis for Q3 2022 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 Daniel Maheu, CFO, will host a conference call for analysts and investors on Thursday, May 12, 2022 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/events>.

To access a replay of the conference call, dial 416-764-8677 or 1-888-390-0541, passcode: 643983 #. The replay will be available until May 19, 2022. 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 March 31, 2022	3 months ended March 31, 2021	9 months ended March 31, 2022	9 months ended March 31, 2021
Net earnings (net loss) for the period	(4.1)	0.7	(7.1)	4.5
Add:				
Finance costs	0.5	0.5	1.5	1.8
Income tax expense	0.2	(0.1)	1.3	1.9
Depreciation and amortization	2.9	2.5	8.6	8.1
EBITDA (loss)	(0.5)	3.6	4.3	16.3

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 March 31, 2022	3 months ended March 31, 2021	9 months ended March 31, 2022	9 months ended March 31, 2021
Contract revenue	45.2	40.5	141.6	112.2
Cost of contract revenue (including depreciation)	44.9	37.4	134.8	94.9
Less depreciation	(2.7)	(2.2)	(7.7)	(6.9)
Direct costs	42.2	35.2	127.1	88.0
Adjusted gross profit	3.0	5.3	14.5	24.2
Adjusted gross margin (%) ⁽¹⁾	6.7	13.1	10.3	21.5

⁽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 217 drill rigs and approximately 1,500 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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