Proven strategy. Proven results.

FORAGE ORBIT GARANT DRILLING

2009 Annual Report

Corporate profile

Orbit Garant Drilling Inc. is a mining services company based in Canada that provides specialized diamond drilling for underground and surface exploration. With more than 500 employees and 136 drills, Orbit Garant focuses on higher margin, specialized drilling which comprises approximately 60% of the Company's revenue. Orbit Garant has an impressive list of long-term customer relationships with top-tier and leading junior mining clients. Operating in politically stable regions including Canada, the United States, Mexico and South America, Orbit Garant takes an integrated approach to its business, which results in a low-cost operating structure.

Contents

Financial highlights

As illustrated by the financial highlights below and more fully presented in the financial statements and Management's Discussion and Analysis, Orbit Garant Drilling Inc. enjoyed a strong year in fiscal 2009. Primarily as a result of the acquisition of Forage + and a record number of metres drilled, contract revenue increased significantly to $105.2 million. Gross profit was $36.1 million, representing a margin of 34.3%. The Company ended the year with a strong balance sheet. Normalized EBITDA[1] totalled $28.0 million, representing a margin of 26.6 per cent, while net earnings per common share were $0.39 basic and $0.38 diluted.

	Fiscal 2009 12 months $	Fiscal 2008 12 months $
Contract revenue		
Drilling Canada		
– Surface	**54,902,694**	24,282,703
– Underground	**45,782,810**	43,402,783
Drilling Canada total	**100,685,504**	67,685,486
Drilling International	**3,779,951**	8,383,809
Manufacturing Canada	**697,357**	6,072,921
	105,162,812	82,142,216
Gross profit	**36,083,682**	28,780,473
Gross profit (%)	**34.3**	35.1
Net earnings	**12,589,766**	9,382,053
Normalized EBITDA[(1)]	**27,962,032**	23,613,276
Normalized EBITDA (%)[(1)]	**26.6**	28.7
Net earnings per common share	**0.39**	0.38
Net earnings per common share diluted	**0.38**	0.37
Total assets	**102,869,910**	94,511,377
Long-term debt	**10,749,982**	5,823,490
Dividend in cash	**—**	133,456
Total metres drilled	**1,109,332**	872,392

[(1)] Normalized EBITDA is EBITDA adjusted for management fees, integration fees and extraordinary transaction fees. While normalized EBITDA is not an earnings measure recognized by generally accepted accounting principles ("GAAP") in Canada and does not have a standardized meaning prescribed by GAAP, the Company believes its use facilitates the comparison of historical periods.

Chairman's message

James C. Johnson
CHAIRMAN OF THE BOARD

Dear fellow shareholders:
On behalf of the Board of Directors, I am pleased to present the second annual report for Orbit Garant Drilling Inc. In our second year as a public company, Orbit Garant demonstrated the success of our business strategy, recording a year of solid growth despite the turbulent economic environment. In their letter to shareholders on page 3 of this report, you will read about the concentrated strategic focus of management that yielded these fine results.

Since our IPO in 2008, the Board of Directors and management successfully completed the transition from a private to public company, an important milestone for the Company, forming a solid foundation to implement and enhance the Company's long-term growth strategies.

On behalf of all shareholders, the Board of Directors provides oversight of the Company and ensures commitment to corporate ethics, integrity and sound business judgement. The Board proactively maintains high governance standards, including an ongoing, constructive dialogue with management to ensure continuous improvement in all aspects of public Company oversight.

Over and above this commitment, the Board is actively engaged with management in setting the strategic objectives and direction of the Company. In fiscal 2009, Orbit Garant completed the acquisition of Forage +, a significant achievement and one that demonstrated our ability to execute effectively on our growth strategy.

This expertise is expected to be particularly relevant in the coming months. Orbit Garant completed fiscal 2009 with a strong balance sheet and an excellent market position. With the drilling services market under pressure as a result of the global recession, there will be opportunities for growth through acquisition. In this regard, your Board of Directors will continue to work closely with management to mirror the success of 2009.

I know I speak for all members of the Board in saying that we are committed to delivering value for shareholders. The Company has proven its ability to maintain operational strength and stable financial results, despite the global economic downturn, and we look forward to the successes of better economic times.

In closing, I would like to recognize my fellow directors for their continued support and counsel as we continue to make significant progress towards realizing on Orbit Garant's enormous potential. This includes our independent directors, Patrick Godin, Jean-Yves Laliberté, Guthrie J. Stewart and Edmund Stuart, as well as our management directors, Pierre Alexandre and Eric Alexandre. With their guidance, Orbit Garant has completed another successful year, and I look forward to continuing to work with this team to create lasting value for shareholders.

James C. Johnson
CHAIRMAN OF THE BOARD

CEO and president's message to shareholders

Pierre Alexandre
CHIEF EXECUTIVE OFFICER

Eric Alexandre
PRESIDENT AND CHIEF OPERATING OFFICER

Sustained focus, sustained momentum

We are pleased to report to shareholders that Orbit Garant's fiscal 2009 was characterized by the consistent growth and positive momentum that have defined our Company since the completion of our Initial Public Offering in June of 2008. The external environment during our second year as a public company was difficult, as the global economic downturn and concurrent financial crisis combined to severely impact global mining exploration expenditures. However, Orbit Garant's concentrated focus on executing our stated strategies has enabled the Company to maintain strong and stable financial results. Despite the challenging business climate, our revenues increased 28% to $105.2 million; EBITDA reached $28 million, an increase of 18.4%; net earnings increased 34% to $12.6 million; and fully diluted earnings per share were $0.38 compared with $0.37 last year.

Fundamental to our strategy is a focus on having the right customers. Our philosophy is to ensure that our customer base comprises primarily of senior and well-financed intermediate customers. This was a critical factor in fiscal 2009, when the economic environment forced many junior companies to significantly reduce or eliminate drilling programs. While some of our larger customers cut back programs or put pressure on pricing, we were able to sustain our exposure and maintain our market momentum.

As Canada's largest underground driller, Orbit Garant focuses on value-added specialized drilling services. These are complex technical services that conventional drilling companies typically cannot provide. Specialized drilling includes complex underground projects, large diameter holes, deeper holes and heli-portable drilling, which offer Orbit Garant higher margins and longer term contracts. We hold a strong market position in specialized drilling, while also having a sizeable and growing position in surface exploration drilling. This unique competitive advantage enables us to provide a comprehensive service offering to our customers.

With a growing fleet of 136 drilling rigs, Orbit Garant operates in stable jurisdictions. Approximately 96% of our business is in Canada and the USA. The domestic focus and our disproportionate exposure to the recession resilient gold industry (74% of revenue) have proven to be very positive competitive advantages and have contributed meaningfully to the Company's successful year.

Located in Val-d'Or, Québec, our Company holds the largest market share in the Abitibi Region, which provides Orbit Garant with a low cost advantage, as 80% of our revenue is generated within a six hour driving radius of head office. This proximity to clients, coupled with our willingness and ability to work year-round, contributed significantly to our success in attracting new clients during the year.

Orbit Garant's vertically integrated structure was a meaningful contributor to our successful year. Through our wholly owned subsidiary, Soudure Royale, we maintain the ability to manufacture drills and consumable supplies for our own use or for sale to third parties. In fiscal 2009, when the weak economy kept demand for drills low, our capacity at Soudure Royale was utilized to improve the operating efficiencies in our existing fleet of drills. Training courses provided by Orbit Garant ensure that skilled personnel are available and that labour efficiencies are continuously improved. The vertical integration, including training and the ability to manufacture drills, will continue to add value as the economy recovers.

We continue to look for acquisition candidates to enhance growth. In 2009, Orbit Garant completed the successful acquisition of Forage +, a transaction that successfully leveraged our established infrastructure and expanded our market position. In addition, we were also successful in expanding our geographic footprint throughout the year, adding new customers such as Rubicon Minerals' Phoenix Gold project in Red Lake, new contracts with long-term clients such as Xstrata and other new contracts in Nunavut with Agnico-Eagle and Newmont Mining.

With a dominant presence in strong markets, a proven business strategy and a strong balance sheet, Orbit Garant remains committed to growth. We are leveraging our strong, long-term customer relationships by evaluating opportunities to cross-sell and expand with these clients as they grow. This will continue to increase our Company's scope and enable further expansion into new geographic regions. The current economic climate has created growth opportunities in the drilling industry, and we continue to seek accretive acquisitions to add new customers and new contracts. We are searching for reputable companies with strong and solid client lists that operate in stable geographic regions.

While the economic outlook remains uncertain, Orbit Garant continues to focus on our competitive advantages and on improving operational efficiencies. This focus on our core strategies has proven effective in the challenging economic climate and has positioned us well as economic conditions improve.

In closing, we would like to thank our independent directors for their strong counsel and oversight and also our employees for their ongoing contribution to the success of Orbit Garant. In addition we thank you, our fellow shareholders, for your support and confidence.

Pierre Alexandre
CHIEF EXECUTIVE OFFICER

Eric Alexandre
PRESIDENT AND CHIEF OPERATING OFFICER

Our strategy … our strength

Throughout fiscal 2009, Orbit Garant successfully generated increased profitability while maintaining a very healthy balance sheet. Despite the troubled economic climate and challenging operating environment, Orbit Garant's ability to increase revenues and maintain stable margins enabled the Company to sustain growth momentum throughout the year. With a growing fleet of 136 drilling rigs and a well-diversified revenue base, the Company's solid operating financial results in fiscal 2009 are a direct reflection of Orbit Garant's business strategy … a strategy designed to leverage four key competitive advantages.

CUSTOMERS

Long-term relationships with top-tier customers and a focus on gold

Orbit Garant is focused on doing business with top-tier customers operating in stable jurisdictions. In fiscal 2009, this meant that we generated approximately 96% of our revenues in Canada. The Company maintains a dominant presence in the province of Québec and a strong and growing presence in Ontario. Orbit Garant also operates in the USA and other stable regions, including Mexico and South America.

The Company's primary focus is working alongside major and well-financed junior and intermediate mining companies. With a legacy of strong relationships, Orbit Garant's customer base comprises many industry leading companies including Newmont, Goldcorp, Xstrata, IAMGold, Agnico-Eagle, as well as financially strong junior companies including Osisko Mining, Rubicon Minerals and Alexis Minerals. Major and intermediate customers represent 65% of the Company's business and typically employ us for long-term drilling contracts, typically one to three years in length.

Orbit Garant also benefits from our significant exposure to the gold industry, which has historically been a safe haven for investors in difficult economic periods, which clearly unfolded again this year. Approximately 74% of fiscal 2009 revenue originated with customers who are exploring for or producing gold, positioning Orbit Garant favourably, given the recent economic turmoil.

UNDERGROUND AND SPECIALIZED DRILLING

Leading provider of non-routine drilling services

Orbit Garant is a comprehensive drilling services provider of conventional drilling services, but we have a unique focus on underground and specialized drilling services. As the largest underground drilling company in Canada, Orbit Garant focuses on non-routine, specialized drilling services, including complex underground projects, larger diameter holes, deeper holes and heli-portable drilling.

Accounting for approximately 60% of the Company's revenue, our concentration on specialized services differentiates Orbit Garant from competitors and provides the Company with revenue stability, above-average profit margins and an expanded customer base.

VERTICAL INTEGRATION

Controlling our own destiny

Unlike most of our competitors, Orbit Garant's drilling operations are vertically integrated, providing the Company with an enhanced ability to face key industry challenges. Through our wholly owned subsidiary, Soudure Royale, Orbit Garant manufactures drill rigs and equipment to fit the specific needs of customers. This ability to produce new drills in weeks instead of several months, enhances our flexibility to take on new business. In addition, we can utilize this capacity to produce rigs for third parties.

Although recent demand for new drills from third parties has subsided in line with the economic environment, Soudure Royale's production capacity has been employed to improve the Company's current fleet and to perform maintenance services, which were previously outsourced.

Orbit Garant has also partnered with the Québec government to create a comprehensive, in-house driller certification program. The 1,600-hour program provides training courses for personnel and ensures the availability of skilled personnel, while also enabling the Company to continuously improve its efficiency.

LOW-COST OPERATIONS

Close proximity to clients, impact of Soudure Royale

Orbit Garant is headquartered in Val-d'Or, Québec, one of Canada's most important gold regions, and benefits from a low-cost operation structure. Approximately 80% of revenue is derived from drills deployed within six driving hours from our head office. The Company's geographic proximity to clients enables us to optimize inventory, thereby minimizing costs and deploying personnel efficiently.

Soudure Royale also provides the Company with a cost advantage, as we're able to produce drilling equipment for a cost significantly lower than sourcing externally.

Management's discussion and analysis ("MD&A") is a review of the results of operations, the liquidity and the capital resources of Orbit Garant Drilling Inc. for the year ended June 30, 2009, prepared September 21, 2009. It should be read in conjunction with the audited consolidated financial statements of Orbit Garant Drilling Inc. as of June 30, 2009 and the notes thereto included elsewhere in this report, which are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). This discussion contains forward-looking statements. Please see "Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions relating to these statements.

In this discussion and analysis, references to the "Company" or to "Orbit Garant" shall mean, as the context may require, either Orbit Garant Drilling Inc. or Orbit Gallant Drilling Inc. together with its wholly owned partnership, Orbit Garant Drilling, a general partnership and its wholly owned subsidiaries, including 9116-9300 Québec Inc. ("Soudure Royale"), 4378792 Canada Inc., Drift Exploration Drilling Inc. and Drift de Mexico S.A. de C.V., (the latter two of which are referred to collectively as "Drift") and 9129-5642 Québec Inc. ("Forage +"), which was acquired in October 2008.

Orbit Garant is the result of the combination of Forage Garant & Frères Inc. ("Garant") and Forage Orbit Inc. ("Orbit") pursuant to the purchase of Orbit by Garant on January 31, 2007. Orbit and Garant are the predecessor businesses of Orbit Garant. All annual figures in this discussion and analysis are in Canadian currency unless otherwise noted and refer to fiscal years, which end on June 30. Additional information relating to the Company, including the Company's Annual Information Form for the most recently completed financial year, can be found on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Securities laws encourage companies to disclose forward-looking information in order for investors to have a better understanding of a company's future prospects and make informed investment decisions.

This MD&A contains forward-looking statements about the Company's objectives, strategies, financial condition, results of operations, cash flows and businesses. These statements are "forward-looking" because they are based on current expectations, estimates and assumptions about the markets in which the Company operates, the world economic climate as it relates to the mining industry, the Canadian economic environment and the Company's ability to attract and retain customers and to manage its assets and operating costs.

Actual results could be materially different from expectations if known or unknown risks affect the business, or if estimates or assumptions turn out to be inaccurate. The Company does not guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place reliance on these forward-looking statements.

The Company disclaims any intention and assumes no obligation to update any forward-looking statement, even if new information becomes available, as a result of future events or for any other reasons. Risks that could cause the Company's actual results to materially differ from its current expectations are discussed in this MD&A.

CORPORATE OVERVIEW

From its head office in Val-d'Or, Quebec, Orbit Garant manages a fleet of 136 drilling rigs that are used to service the mining industry in Canada and internationally. The Company has a low cost infrastructure and is vertically integrated with Soudure Royale manufacturing drill rigs for the Company and third parties (and so providing a competitive advantage in the provision of drilling services). The Company focuses on "Specialized Drilling", which refers to those drilling projects that are completed in remote locations or, in the opinion of management, because of the scope, complexity or technical nature of the work, cannot be completed by small conventional drilling companies.

The Company has three operating segments: Drilling Canada (including domestic surface drilling and underground drilling), Drilling International and Manufacturing Canada (Soudure Royale).

Specialized drilling services, which generate a higher gross margin than typical drilling services, account for approximately 60% of the Company's total revenue.

The Company provides both surface and underground drilling services, which account for approximately 55% and 45% of the Company's revenues respectively.

Approximately 74% of the Company's revenues are generated by gold related operations, while approximately 26% are generated by base metal related and other operations.

Orbit Garant operates in stable jurisdictions, with approximately 96% of the Company's revenues generated in Canada. The Company also operates in the USA, Mexico, Suriname and Guyana.

Approximately 65% of the Company's customers are major and intermediate mining companies, with which the Company has contracts of one to three years in length.

BUSINESS ACQUISITIONS

Acquisition of 9129-5642 Québec Inc. (Forage +)

On October 10, 2008, the company acquired all issued and outstanding shares of 9129-5642 Québec inc. (doing a surface diamond drilling business in Canada) for a total net consideration of $3,100,000 (excluding acquisition costs) payable for a cash consideration of $2,124,456 and $975,544 through the issuance of 457,142 common shares of the company based on the 30-day average trading price. Further, the company has paid a cash consideration of $2,431,247 as compensation of the net working capital of the company at the acquisition date and an amount of $95,486 for acquisition costs.

BUSINESS STRATEGY

The Company's goal is to be one of the largest Canadian-based drilling companies, providing both underground and surface drilling, at each stage of the mining business exploration, development and production by pursuing the following business strategy:

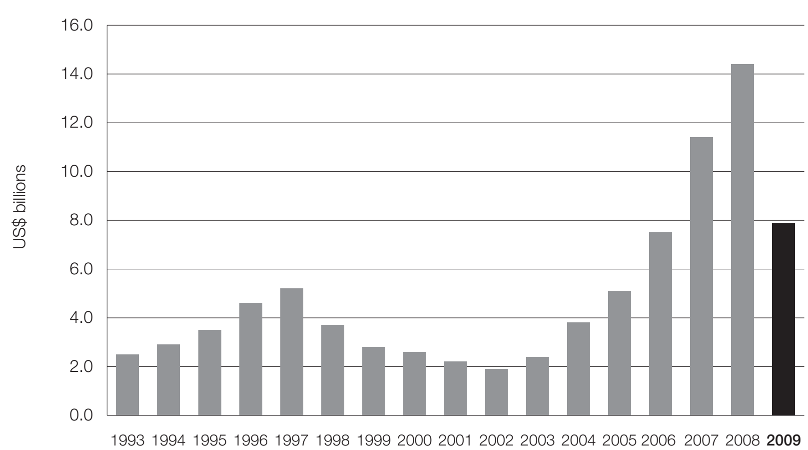
- Focusing primarily on major and well financed intermediate mining and exploration companies operating in stable jurisdictions;
- Providing conventional and specialized drilling services;
- Manufacturing drills and equipment to fit the needs of customers;
- Providing training courses for the Company's personnel, to continuously improve labour efficiency and ensure the availability of a skilled labour force;
- Maintaining a high level of safety standards in the work environment, and promoting protection of the environment;
- Establishing and maintaining long-term relationships with customers; and
- Cross-selling drilling services to existing clients.

INDUSTRY OVERVIEW

The global economy continued to experience a recession through the early months of 2009, with declining gross domestic product (GDP) in many developed nations' economies and continuing upheaval in the world's financial markets. For the mining and minerals industry, the beginning of 2009 was characterized by persistent tight credit markets, minimal access to capital and depressed commodity prices. The dramatic economic slowdown and diminished commodity prices resulted in global production cuts and equally dramatic decreases in exploration expenditures.

To counteract the downturn and galvanize economic activity, major governments implemented vigorous measures, including corporate bail-outs, deficit-funded stimulus spending packages and policies to make credit more widely available. As a result, global market sentiment has begun to revive, leading to improvements in equity markets and a modest economic recovery trend.

Global exploration spending



Source: Metals Economics Group

In 2008, the economic slump forced many of the world's mining and exploration companies to reduce exploration and production expenditures to conserve capital while waiting out the downturn. As a result, the contract drilling industry experienced significant declines in demand and, consequently, downward pricing pressure.

Orbit Garant's vertically integrated business model and focus on gold operations in stable jurisdictions proved their strength throughout a difficult economic period.

Base metals

As a result of the global recession, base metal market prices experienced a dramatic decline throughout 2008 and into 2009. However, improvements in the base metals market became apparent as governments announced and implemented stimulus packages, the US dollar weakened, manufacturing performance improved and demand from China increased. Chinese base metals imports, particularly copper, increased dramatically in anticipation of government stimulus and low market prices. However, despite the recent uptick in 2009, demand for copper and other base metals in markets other than China remains at low levels. The upward trajectory of base metal prices is expected to soften over the short term, resulting in a more gradual recovery.

Longer-term, base metal fundamentals remain positive: demand from developing countries is beginning to solidify and the natural correction of supply and demand imbalances will bolster the continuing recovery.

Gold

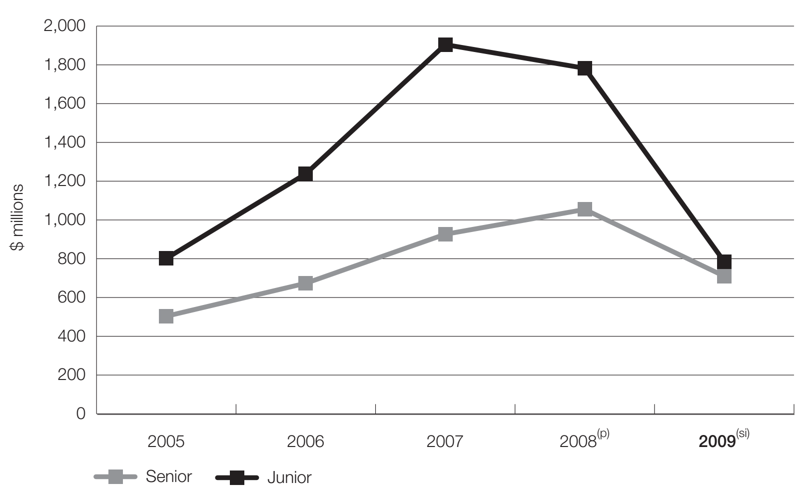
In contrast to the price of base metals in 2008, gold performed well during the economic downturn as investors attempted to shelter more of their capital. Gold prices have continued to perform well through 2009, as stimulus spending and dramatic re-structuring have contributed to the decline in value of the US dollar. Gold has maintained its strength even as equities and industrial commodities that perform well during recovery have also rebounded slightly, suggesting continued market uncertainty. Longer-term fundamentals remain positive and a weak dollar, absence of new discoveries and decreasing supply all contribute to the strong outlook.

Market participants

Metals Economics Group (MEG) estimated that global exploration spending has decreased from its 2008 peak of $14.4 billion to less than $8 billion in 2009.

In addition, the changed proportion of exploration spending by junior companies compared to that of major and intermediate companies is further evidence of market unease. MEG statistics indicate that exploration spending from junior companies is expected to decline to that of the majors in 2009, reporting year-over-year budget reductions of 46% from the juniors and 22% and 28% from the intermediate and major companies, respectively.

Exploration and deposit appraisal expenditures by junior and senior operators, 1999–2009(1)



Source: Natural Resources Canada, from the federal-provincial-territorial Survey of Mineral Exploration, Deposit Appraisal and Mine Complex Development Expenditures.

(1) Includes on-mine-site and off-mine-site activities, field work, overhead costs, engineering, economic and feasibility studies, environment, and land access costs.
(p) Preliminary estimates
(si) Spending intentions

Note: Numbers may not add to totals due to rounding.

The global slowdown in mining and exploration activity is evident in Canada. Natural Resources Canada (NRC) indicated that exploration spending in Canada totaled $2.8 billion in 2008, with junior companies accounting for 63% or $1.8 billion of that total, while major and intermediate companies accounted for the balance or, $1 billion. NRC estimates that 2009 exploration spending in Canada will decline to approximately $1.5 billion. Spending by the junior companies is expected to decline by more than half, to $800 million, while spending by major companies is expected to fall to $750 million, a proportionately smaller reduction.

Outlook

In recent months, the global economy has exhibited a modest recovery and it continues to build positive momentum. The massive influx of stimulus spending continues to support the price of gold, and infrastructure spending is improving the housing and manufacturing markets modestly, all of which constitute positive indicators for the base metals industry. Offsetting this improvement, unemployment levels continue to increase, access to credit continues to be limited, and consumer confidence remains cautious, contributing to the sustained uncertain outlook for the industry.

Considering all of the factors discussed above, management of Orbit Garant believes that industry fundamentals remain stable and therefore expects demand for its services to be maintained.

OVERALL PERFORMANCE

In the twelve-months ended June 30, 2009, Orbit Garant reported record gross revenue and a record level of meters drilled.

	12 months June 30, 2009	12 months June 30, 2008	Increase $	Increase %
Revenues ($) (in millions)	**105.2**	82.1	23.1	28.0
Net earnings ($) (in millions)	**12.6**	9.4	3.2	34.2
Net earnings per common shares				
– Basic	**0.39**	0.38	0.01	2.6
– Diluted	**0.38**	0.37	0.01	2.7
Meters drilled	**1,109,332**	872,392	236,940	27.2

The increase of the overall performance is attributable to new specialized drilling contracts and the acquisition of Forage +.

During fiscal 2009, the Company added a total of 17 drilling rigs. Soudure Royale, the manufacturing division, supplied 10 new drilling rigs and 7 others were acquired through the acquisition of Forage +.

Selected annual financial information

For the year ended June 30 * In million	**2009 Fiscal 12 months**	2008 Fiscal 12 months	2007 Fiscal 9 months
Contract revenue			
Drilling Canada*			
– Surface*	**54.9**	24.3	7.7
– Underground*	**45.8**	43.4	23.6
	100.7	67.7	31.3
Drilling International – Surface*	**3.8**	8.4	4.1
Manufacturing Canada*	**0.7**	6.0	1.3
Total*	**105.2**	82.1	36.7
Gross profit*	**36.1**	28.8	10.6
Gross profit %	**34.3**	35.1	28.9
Net earnings $*	**12.6**	9.4	1.9
Net earnings per common shares	**0.39**	0.38	0.11
Net earnings per common shares diluted	**0.38**	0.37	0.10
Total assets*	**102.9**	94.5	72.1
Long term debt*	**10.7**	5.8	24.5
Dividend in cash*	**—**	0.1	—
Total metres drilled*	**1.1**	0.9	0.5
Normalized EBITDA*	**28.0**	23.6	9.1
Normalized EBITDA %	**26.6**	28.7	24.7

RESULTS OF OPERATIONS

Twelve months ended June 30, 2009 compared to twelve months ended June 30, 2008

Contract revenue

During the fiscal year ended June 30, 2009, the Company recorded contract revenue of $105.2 million, as compared to $82.1 million in fiscal 2008, representing an increase of 28%.

These increases are primarily attributable to the acquisition of Forage + and the addition of new drilling rigs.

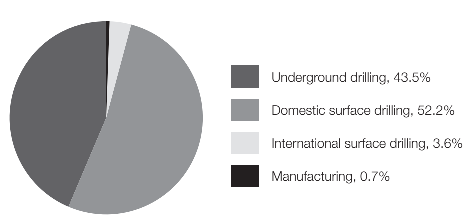
Domestic surface drilling contract revenue increased to $54.9 million in fiscal 2009 as compared to $24.3 million in fiscal 2008, representing an increase of 126.1%. The increase is attributable to organic growth and to the acquisition of Forage +.

Underground drilling contract revenue increased to $45.8 million in fiscal 2009 as compared to $43.4 million in fiscal 2008, representing an increase of 5.5%. This increase is due to additional specialized drilling services provided.

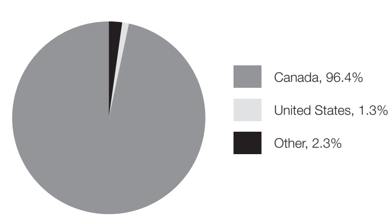
International drilling contract revenue was $3.8 million in fiscal 2009 compared to $8.4 million in fiscal 2008, a reflection of the downturn in the global economy.

Manufacturing Canada generated negligible revenue for fiscal 2009 compared to $6.0 million for fiscal 2008. During fiscal 2009, there was no demand from third parties to manufacture drills, a result of the economic climate at the time. Through the Company's subsidiary, Soudure Royale, Orbit Garant maintains the capacity to build new drills, and also utilizes Soudure Royale to build supplies and support equipment.

Revenue, fiscal 2009



Revenue per country, fiscal 2009



Gross margin

The Company generated almost the same gross margin despite the current financial market situation. Gross margin for fiscal 2009 was 34.3% compared to 35.1% for fiscal 2008. Total gross profit for fiscal 2009 was $36.1 million compared to $28.8 million in fiscal 2008, representing an increase of 25.4%. The activity level in the international drilling and manufacturing divisions decreased, negatively impacting the gross margin. Though these divisions have typically brought higher margins in the past, there was pressure to lower prices on new contracts due to the high availability of drilling rigs in the industry. Much of the resulting downward pressure on gross margin, however, was offset by the Company's focus and success in increasing productivity and operating efficiency.

General and administrative expenses

General and administrative expenses were $8.0 million, compared to $5.8 million for the comparable period in 2008. The increase is a result of additional administrative expenses incurred to sustain the Company's growth, and a bad debt expense of $1.6 million (2008 – $0.2 million). General and administrative expenses represented 7.6% of sales, compared to 7.1% in the previous year.

Normalized EBITDA (see Supplemental Disclosure)

Normalized EBITDA in fiscal 2009 was $28.0 million as compared to $23.6 million in fiscal 2008, an increase of $4.4 million or 18.4%. This is attributable to the acquisition of Forage + and new specialized contracts. The normalized EBITDA for fiscal 2009 represents 26.6% of sales, compared to 28.7% for fiscal 2008.

Financial expenses

Interest on long term debt was reduced from $1.4 million in fiscal 2008 to $0.3 million in fiscal 2009, a result of the partial repayment of debt using the proceeds of the June 2008 IPO.

Short term interest expense was $0.2 million in fiscal 2009 compared to $0.6 million in fiscal 2008, a result of the repayment of bank loans.

Comparison of use of proceeds from financing facilities

Facility	Intended use, as disclosed previously	Actual use
Non-revolving $6.0 million 4-year capital expenditure facility	Finance up to 80% of the Company's capital expenditures (as that term is defined in the Existing Credit Agreement, as that term is defined in the Prospectus)	In fiscal 2009, $3.3 million of this facility was used to fund the Company's capital expenditures.
Non-revolving $20.0 million 4-year term facility	Refinance the outstanding balance of under the previous credit agreement and to make future acquisitions	In fiscal 2009, $2.1 million of this facility was used to acquire Forage +.

Amortization

Amortization of property, plant and equipment increased from $3.3 million in fiscal 2008 to $4.4 million during fiscal 2009. The increase is a result of the acquisition of Forage + as well as new drilling rigs and equipment acquired in fiscal 2009.

Amortization of intangible assets increased from $4.0 million in fiscal 2008 to $4.3 million in fiscal 2009, a result of the acquisition of Forage +.

Certain long-term investments have been fully devalued, reflecting their actual market value and the low potential of growth anticipated in a reasonable period of time. This write down was accounted for in the Statement of Earnings as an "Other than Temporary Impairment on Long-Term Investments" of $0.3 million.

Net earnings

Net earnings for fiscal 2009 totaled $12.6 million or $0.39 per common share ($0.38 per share diluted), compared to $9.4 million for fiscal 2008 or $0.38 per common share ($0.37 per share diluted), representing an increase of 34.6% year to year.

Summary analysis of fiscal 2008 compared to the 9 months of fiscal 2007

Since the company was created by the combination of Quebec-based drilling services providers Orbit and Garant on January 31, 2007 and the acquisition of Drift Exploration Drilling Inc. (comprising US and Mexican operations) on April 16, 2007, the financial results for fiscal 2008 are not directly comparable to those of fiscal 2007.

Revenue for the fiscal year ended June 30, 2008 was $82.1 million compared to $36.7 million for the 9 months of fiscal 2007 (9 months), representing an increase of 124%.

During fiscal 2007, "Garant" acquired Orbit, Soudure Royale and Drift. Revenue increased significantly in fiscal 2008 as a result of these acquisitions combined with improved pricing, additional drilling rigs in service and the sale of standard drilling rigs by the manufacturing division.

Gross margins for fiscal 2008 were 35.1%, compared to 28.9% in the 9 months of fiscal 2007. Total gross profit during fiscal 2008 was $28.8 million, compared to $10.6 million in the 9 months of fiscal 2007, representing an increase of 171%. The increase in gross profit is a result of:

I) contractual price increases in all segments taking effect; and

II) the inclusion of Orbit, Drift USA and Drift Mexico's results to the underground drilling division results of the Company.

The Company experienced increases in certain costs during the fiscal 2008. Labour and consumables, which partially offset the gains in price, are attributable to contractual increases and new contracts. The Company also invests in its own accredited certification program for drillers, helpers and foremen.

Net earnings

Net earnings for fiscal 2008 totaled $9.4 million or an increase of 394% compared to $1.9 million during 9 months fiscal 2007. The increase relates primarily to the business acquisition and the addition of 11 drilling rigs.

The growth of net earnings generate earnings per share of 0.38 (or 0.37 per share diluted) for fiscal 2008 compared to 0.11 per share (or 0.10 per share diluted) for 9 months fiscal 2007.

SUMMARY OF QUARTERLY RESULTS

	Fiscal 2009				Fiscal 2008			
Million	**June 30**	**Mar. 31**	**Dec. 31**	**Sept. 30**	Jun. 30	Mar. 31	Dec. 31	Sept. 30
Revenue* ($)	**28.3**	**27.7**	**26.1**	**23.1**	24.6	22.1	18.0	17.4
Gross profit* ($)	**10.7**	**9.2**	**8.6**	**7.5**	8.7	7.5	6.3	6.3
Gross margin %	**37.9**	**33.2**	**33.1**	**32.5**	35.4	34.1	35.0	36.0
Normalized EBITDA*(1) ($)	**7.8**	**7.3**	**6.9**	**6.0**	6.6	6.5	5.3	5.2
Net earnings* ($)	**3.6**	**3.2**	**3.2**	**2.6**	1.4	2.8	3.0	2.2
Net earnings per common shares ($)								
– Basic	**0.11**	**0.10**	**0.10**	**0.08**	0.06	0.11	0.12	0.09
– Diluted	**0.10**	**0.10**	**0.10**	**0.08**	0.05	0.11	0.12	0.09

(1) Normalized EBITDA is not a recognized measure under Canadian generally accepted accounting principles and does not have a standardized meaning prescribed by GAAP. Therefore, normalized EBITDA may not be comparable to similar measures presented by other issuers. See "Supplemental Disclosure".

The Company's operations continuously grew quarter after quarter due to organic growth and the acquisition of Forage + in October 2008. There was a slight decrease during the quarter ended September 30 of fiscal 2009 due to a decrease of the international revenues attributable to adverse weather conditions.

The number of drilling rigs at the end of each fiscal year, 2007, 2008 and 2009 were respectively 106, 119 and 136.

ANALYSIS OF THE 4TH QUARTER OF FISCAL 2009

Contract revenue

During the fourth quarter ("Q4") of the fiscal year ended June 30, 2009, the revenues were $28.3 million, which represents an increase of $3.6 million or 14.6% as compared to the quarter ended June 30, 2008 due to an increase in the number of metres drilled from 239,777 during Q4 2008, compared to 296,778 in Q4 2009.

Underground drilling revenue decreased to $10.3 million in Q4 of fiscal 2009, from $12.2 million in Q4 of fiscal 2008, representing a decrease of 16%. This decrease is due to the lower number of meters drilled.

Domestic surface drilling revenue increased to $16.9 million in Q4 of fiscal 2009, as compared to $7.8 million in Q4 of fiscal 2008, representing an increase of 116.6%. The increase is attributable to organic growth and to the acquisition of Forage +.

International drilling revenue was $1.1 million in Q4 of fiscal 2009 compared to $2.3 million in the comparable period in fiscal 2008, a decrease of 53.5%, a decline associated with the downturn of the worldwide financial market.

Revenue from the sale of drills to unrelated third parties by Soudure Royale was almost nil during Q4 of fiscal 2009 compared to $2.3 million during Q4 in fiscal 2008. Although sales were minimal during the period, the manufacturing division focused on building supplies and supported equipment while maintaining its capacity to build new drilling rigs.

Gross margin

The gross margin for Q4 of fiscal 2009 was 37.9%, compared to 35.4% for the Q4 period of fiscal 2008. Total gross profit in Q4 of fiscal 2009 was $10.7 million compared to $8.7 million in Q4 of fiscal 2008, representing an increase of 23%. The increase in gross profit of $2.0 million is a result of new contract pricing in remote areas combined with an increase in productivity and a record meters drilled.

During the quarter, the Company benefited from new processes which enabled efficient use of old inventory with lower cost. Management believes that the gross margin may be lower in 2010.

General and administrative expenses

General and administrative expenses ("G&A") were $2.8 million during Q4 of fiscal 2009, an increase of $0.5 million over the comparable period of fiscal 2008. As a percent of sales, G&A was 9.9% during Q4 of fiscal 2009 and 9.3% during Q4 of fiscal 2008. Due to the condition of the financial market, the Company recorded $1.1 million as bad debt expenses.

Normalized EBITDA

Normalized EBITDA in Q4 of fiscal 2009 was $7.8 million, compared to $6.6 million in Q4 of fiscal 2008, representing an increase of 18.1%. This can be attributed to a record number of metres drilled, and a continued focus on higher margin Specialized Drilling.

Financial expenses

Interest on long term debt was $0.1 million during Q4 of fiscal 2009, compared to $0.3 million during Q4 of fiscal 2008, attributable to the reduction of the long term debt.

Interest on short term loans was almost nil during Q4 of fiscal 2009 compared to $0.2 million during Q4 of fiscal 2008, attributable to the repayment of bank loans.

Amortization

Amortization of capital assets remained stable at $1.4 million for Q4 of fiscal 2009 compared to $1.5 million for Q4 of fiscal 2008.

In Q4 of fiscal 2009, amortization of intangible assets increased to $1.1 million, compared to $1.0 million in Q4 of fiscal 2008 due to the acquisition of Forage +.

Net earnings

Net earnings for Q4 of fiscal 2009 was $3.6 million or $0.11 per common share (0.10 per common share diluted), compared to $1.4 million or $0.06 per common share (0.05 per common share diluted) in Q4 of fiscal 2008. The statutory tax rate for the Company in Q4 of fiscal 2009 was 31.9%, as compared to 32% in Q4 of fiscal 2008.

Effect of exchange rate

Aside from the US dollars referenced below, all of the Company's revenue was denominated in Canadian dollars. The Company's main exposure to exchange rate fluctuations arose from certain purchases denominated in US dollars which were offset in part by revenue of approximately $1.4 million earned in US dollars, related primarily to the surface reverse circulation drilling business carried on by Drift. In fiscal 2009, the net currency exposure totaled approximately $0.4 million. Accordingly, fluctuations in the US dollar against the Canadian dollar did not have a significant impact on the financial results of the Company.

Seasonality

The revenue of the Company shows some seasonal trends, but fluctuations due to seasonality are not significant. In the underground drilling division, scheduled mine shut-downs over holiday and summer periods at some locations reduced revenue during these periods. In the domestic surface drilling division, weather conditions in the Spring and Fall seasons often cause drilling programs to pause or be planned around the seasonal fluctuations. Similarly, in the international surface drilling division, weather conditions at certain times of the year make drilling difficult, resulting in revenue fluctuations.

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

Cash flow from operations before non cash operating working capital items was $20.8 million for the fiscal period ended June 30, 2009, compared to $15.1 million for the fiscal period ended June 30, 2008. The increase is mainly due to the significant increase in the net earnings arising from the acquisition of Forage + and the Company's organic growth.

Investing activities

Cash used in investing activities was $12.2 million for the fiscal year ended June 30, 2009, compared to $8.8 million for fiscal 2008. During the fiscal year ended June 30, 2009, $5.4 million was applied to business acquisitions and $7.1 million was used for acquisition of capital assets. This is compared to cash use of $4.3 million for business acquisitions and $4.8 million for the acquisition of capital assets for the fiscal year ended June 30, 2008.

Financing activities

The cash flow from financing activities shows a use of funds of $0.4 million for fiscal 2009. The Company repaid completely its bank loans of $5.3 million, a portion of its long term debt of $0.8 million and entered into additional long term loan of $5.6 million to support the acquisition of Forage + and the acquisition of other capital assets. In fiscal 2008, the cash flow from financing activities was $10.3 million from the issuance of shares of $30.1 million less payment of long term debt of $21.7 million.

As of June 30, 2009, the Company's working capital was $40.2 million compared to $19.8 million for the same period the previous year. The Company's working capital requirements are primarily to fund labour costs and inventory acquisition.

The Company believes that it will be able to generate sufficient cash flow to meet its current and future working capital, capital expenditures and debt obligations. The Company's principal capital expenditures are used to acquire drilling rigs and ground equipment. Acquisitions of capital assets in fiscal 2009 were valued at $7.1 million, compared to $4.8 million in fiscal 2009.

Source of financing

The Company's primary sources of liquidity are from operations and borrowings under its re-amended and restated credit agreement between the Company and National Bank of Canada Inc. dated as of December 1, 2008 (the "Credit Agreement") and also equity financing.

The Company has historically used cash from operations to maintain its existing drills and fund the building or purchase of new rigs to expand capacity and other working capital needs. Pursuant to the Credit Agreement, the Company currently has a 364-day revolving operating facility of up to $7 million to manage working capital requirements throughout the year.

Under the terms of the Credit Agreement, the Company also has a non-revolving, reducing four year term long term debt facility of a maximum amount of $20,000,000 and a non-revolving, reducing four year term capital expenditure facility of a maximum amount of $6,000,000.

The Credit Agreement contains negative covenants that will limit the Company's ability to undertake certain actions, including mergers, liquidations, dissolutions and changes of ownership; the incurrence of additional indebtedness; encumbering on the Company's assets; guarantees, loans, investments and acquisitions that may be made by the Company; investing in or entering into derivative instruments, paying dividends and or making other capital distributions to related parties; making capital expenditures; and making certain asset sales.

As at June 30, 2009, the Company had future contractual obligations as follows:

	Total $	Less than 1 year $	2–3 years $	4–5 years $
Long-term debt	10,892,816	88,800	10,804,016	0
Operating leases	56,450	43,826	12,624	—
Client deposits	348,250	348,250	—	—
Purchase obligations	—	—	—	—
Other long-term obligations	—	—	—	—
Total	11,297,516	480,876	10,816,640	0

RELATED PARTY TRANSACTIONS

The Company is related to 2867-3820 Québec Inc. (which is owned by Mr. Pierre Alexandre, the CEO of the Company), and 1684181 Ontario Inc. (which is managed by Mr. James C. Johnson, chairman of the Board) due to the significant influence exercised by these companies on Orbit Garant Drilling Inc.

The Company is also related to 6483976 Canada Inc. (Usinage X-SPEC) due to the significant influence over Usinage X-SPEC exercised by the Company.

During the year, the Company entered into the following transactions with its related companies:

	June 30, 2009 $	June 30, 2008 $
Sales	**94,962**	122,521
Purchases	**1,339,092**	2,756,911
Rent	**108,534**	111,000
Management fees	**—**	250,000

The above transactions were made within the normal course of operations and have been recorded at the exchange amount, which is the amount of consideration established and agreed to by related parties.

During fiscal 2009, the Company paid to 2867-3820 Québec Inc., a company owned by Mr. Pierre Alexandre, $150,400 for the acquisition of equipment. Management believes that the transaction is consistent with the fair market value of this equipment. This transaction was not made within the normal course of operations.

During the year ended June 30, 2008, the Company paid to 1684181 Ontario Inc., IPO transaction fees in the amount of $450,000. This transaction was not made within the normal course of operations and has been recorded at the exchange amount.

As at June 30, 2009, accounts payable and accrued liabilities include a balance of $6,716 related to these transactions, compared to $886,556 as at June 30, 2008.

Soudure Royale leases the building where its manufacturing is conducted from Pierre Alexandre pursuant to a five year lease expiring in 2012. The Company also leases its head office from Pierre Alexandre. Management believes these leases are consistent with current market rates.

SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

The Company is exposed to various risks related to its financial assets and liabilities.

The Company realizes a part of its activities in US dollars and is thus exposed to foreign exchange fluctuations. The Company does not actively manage this risk.

The Company provides credit to its customers in the normal course of its operations. The company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. It carries out, on a continuing basis, credit checks on its customers and maintains provisions for contingent credit losses. Demand for the Company's drilling services depends upon the level of mineral exploration and development activities conducted by mining companies, particularly with respect to gold, nickel and copper.

In order to reduce the credit risk, the company is using insurance coverage from Export Development Canada ("EDC") on certain accounts receivable from its customers. The insurance program provides under certain terms and conditions an insurance coverage amount of up to 90% of unpaid accounts. As at June 30, 2009, the amount of the insurance coverage from EDC represents approximately 53% of the accounts receivable.

The carrying amounts for accounts receivable are net of allowances for doubtful accounts, which are estimated based on aging analysis of receivables, past experience, specific risks associated with the customer and other relevant information. The maximum exposure to credit risk is the carrying value of the financial assets.

As at June 30, 2009, 38.2% of the trade accounts receivable are aged as current and 8% of receivables are impaired.

Credit risk also arises from cash and cash equivalents with banks and financial institutions. This risk is limited because the counterparties are mainly Canadian banks with high credit ratings.

The Company does not enter into derivatives to manage credit risk.

Goodwill

Goodwill, representing the excess of purchase price over fair value of the net identifiable assets of acquired businesses, is tested for impairment annually or more frequently when an event or circumstance occurs that indicates that goodwill might be impaired. When the carrying amount exceeds the fair value, an impairment loss is recognized in the statement of earnings in an amount equal to the excess.

Intangible assets

Intangible assets are accounted for at cost. Amortization is based on their estimated useful life using the straight-line method and the following periods:

Customer relationship	36 and 42 months
Non-competition agreement	5 years

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss if any is determined as the excess of the carrying value of the asset over its fair value.

There was no impairment of long lived assets during fiscal 2009.

Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recorded to account for future tax effects of differences between the value of the assets and liabilities on the balance sheet and their tax values, by using the tax rates in effect for the year during which the differences are expected to reverse. Management reduces the carrying value of the future income tax assets by a valuation allowance when it is more likely than not that some portion of the asset will not be realized.

Foreign currency translation

Integrated foreign operation and accounts denominated in foreign currency are translated as follows: monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the period except for amortization, which is translated at historical rates. Translation gains or losses are included in earnings.

Revenue recognition

Revenue from drilling contracts is recognized on the basis of actual metres drilled for each contract. Revenue from ancillary services is recorded when the service is rendered. The Company recognizes revenue when persuasive evidence of an arrangement exists, service has been rendered, the price to the buyer is fixed or determinable and collection is reasonably assured.

Earnings per share

Earnings per share are calculated using the weighted daily average number of shares outstanding during the year.

Diluted earnings per share are determined as net earnings divided by the weighted average number of diluted common shares for the year. Diluted common shares reflect the potential dilutive effect of exercising the stock options based on the treasury stock method.

Stock options

The Company uses the fair value method to account for stock options. In accordance with this method, compensation cost is measured at the fair value of the option at the grant date and is amortized to earnings over the vesting period.

FUTURE ACCOUNTING CHANGES

a) Goodwill and intangible assets:

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3064, Goodwill and intangible assets, replacing Section 3062, Goodwill and other intangible assets and Section 3450, Research and development costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning July 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact that the adoption of this new Section will have on its consolidated financial statements.

b) In January 2009, the CICA issued the following new Handbook sections:

i. Section 1582, "Business Combinations", which replaces Section 1581, "Business Combinations". The Section establishes standards for the accounting for a business combination. It provides the Canadian equivalent to the IFRS standard, IFRS 3 (Revised), "Business Combinations". The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first reporting period. Earlier adoption is permitted. The Company is currently evaluating the impact of the adoption of this new Section on the consolidated financial statements.

ii. Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling Interests", which together replace Section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised), "Consolidated and Separate Financial Statements". The Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. The Company is currently evaluating the impact of the adoption of these new Sections on the consolidated financial statements.

c) International Financial Reporting Standards:
In 2006, the Canadian Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect the financial reporting requirements applicable to Canadian companies. The AcSB strategic plan outlines the convergence of Canadian accounting standards with international standards (IFRS) over an anticipated five-year transition period. In February 2008, the AcSB announced that 2011 would be the changeover date for public entities to move from Canadian GAAP to IFRS. Consequently, the Company's transition date of July 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for its year ending June 30, 2011 and the opening balance sheet as at July 1, 2010. The Company is currently in the process of developing a conversion implementation plan and assessing the impacts of the conversion on the consolidated financial statements and disclosures of the Company.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates include, but are not limited to, the useful lives of property, plant and equipment and intangible assets for amortization purposes, depreciation of goodwill, inventory valuation, valuation of future income taxes, assumptions used in compilation of stock based compensation, fair value of assets acquired and liabilities assumed in business acquisitions, and amounts recorded as accrued liabilities. Actual results could differ materially from those estimates and assumptions.

Outstanding securities as of September 18, 2009

	2009
Number of shares	**32,738,684**
Number of options	**1,673,000**
Fully diluted	**34,411,684**

RISK FACTORS

The following are certain factors relating to the Company's business and the industry within which it operates. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this report and in the Company's Annual information Form dated September 21, 2009. These risks and uncertainties are not the only facing the Company. Additional risks and uncertainties not presently known to the Company, or that the Company currently deems immaterial, may also impair the operations of the Company. If any such risks actually occur, the business, financial condition, liquidity and results of operations of the Company could be materially adversely affected.

Risks related to the business and the industry

Cyclical downturns

Demand for drilling services and products depends significantly on the level of mineral exploration and development activities conducted by mining companies which in turn are driven significantly by commodity prices. There is a risk that low commodity prices could substantially reduce future exploration and drilling expenditures by mining companies which in turn could result in a decline in the demand for the drilling services offered by the Company and would materially impact the Company's revenue, financial condition, cash flows and growth prospects.

Sensitivity to general economic conditions

The operating and financial performance of Orbit Garant is influenced by a variety of international and country-specific general economic and, business conditions (including inflation, interest rates and exchange rates) access to debt and capital markets, as well as monetary and regulatory policies. Deterioration in domestic or international general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could have a material adverse effect on the financial performance and condition, cash flows and growth prospects of the Company.

Reliance on and retention of employees

In addition to the availability of capital for equipment, a key limiting factor in the growth of drilling services companies is the supply of qualified drillers, who the Company relies upon to operate its drills. As such, the ability to attract, train and retain high quality drillers is a high priority for all drilling services providers. A failure by the Company to retain qualified drillers or attract and train new qualified drillers could have a material adverse effect on the Company's financial performance, financial condition, cash flows and growth prospects. In addition, rising rates paid to drillers and helpers will exert pressure on the Company's profit margins if it is unable to pass on such higher costs to its customers through price increases.

Increased cost of sourcing consumables

When bidding on an underground drilling contract, the cost of sourcing consumables is a key consideration in deciding upon the pricing. Underground drilling contracts are typically for one to two years and expose the Company to an increase in the cost of consumables and labor during that period of time. A material increase in the cost of the labor or consumables during that period could result in materially higher costs and could materially reduce the Company's financial performance, financial condition, cash flows and growth prospects.

Leverage and restrictive covenants

Orbit Garant entered into a re-amended and restated credit agreement with the National Bank of Canada dated December 1, 2008 (the "Credit Agreement") in order to provide it with credit facilities to fund, among other things, working capital and acquisitions. The degree to which Orbit Garant is leveraged could have important consequences including: Orbit Garant's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; a significant portion of Orbit Garant's cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations, and certain of Orbit Garant's borrowings (including borrowings under the Credit Agreement) will be at variable rates of interests, which exposes Orbit Garant to the risk of increased interest rates which may have an adverse effect on Orbit Garant's financial condition.

The Credit Agreement contains numerous restrictive covenants that limit the discretion of Orbit Garant's management with respect to certain business matters. These covenants place significant restrictions on, among other things, changes in ownership and the ability of Orbit Garant to create liens or other encumbrances, to pay dividends or make certain other payments, investments, acquisitions, capital expenditures, loans and guarantees and to sell or otherwise dispose of assets and merge with another entity. In addition, the Credit Agreement contains financial covenants that require Orbit Garant to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in the Credit Agreement could result in a default which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the Credit Agreement were to be accelerated, there can be no assurance that the assets of Orbit Garant would be sufficient to repay in full that indebtedness. In addition, the Credit Agreement matures no later than the fourth anniversary thereof. There can be no assurance that future borrowings or equity financing will be available to Orbit Garant, or available on acceptable terms, in an amount sufficient to fund Orbit Garant's needs. This could, in turn, have a material adverse effect on the business, financial condition and results of operations of Orbit Garant.

At the end of June 30, 2009, the Company complied with all covenants.

Access of customers to equity markets

Economic factors may make it more difficult for mining companies, particularly junior mining companies, to raise money to fund exploration activity. This difficulty would have an adverse impact on the demand for drilling services and could have a material adverse effect on the financial performance, financial condition, cash flows and growth prospects of the Company.

Ongoing integration of business systems

The Company has installed new accounting, inventory and operating information and technology systems. These systems are designed to improve the business operations and management oversight. However, there may be a level of disruption to the business with incorrect information produced and relied upon while implementation and training is being completed and management's attention may be diverted to ensuring the successful integration of the new technology during this process. The Company's financial performance, financial condition, cash flows and growth prospects may be adversely affected by any implementation problems associated with the business systems.

Recent acquisitions

The combination of Orbit and Garant on January 31, 2007, the acquisition of Drift (and the assets of Phyl-Don) on April 16, 2007 and the acquisition of Forage + on October 10, 2008, are the latest developments which may expose the Company to business risks. The Company may be exposed to business risks or liabilities for which it may not be fully indemnified or insured. The ongoing integration of existing and new computer systems, equipment and personnel may impact the success of the acquisitions. Any issues arising from the integration of the acquired businesses, including the integration of the accounting software, may require significant management, financial or personnel resources that would otherwise be available for ongoing development and expansion of the Company's existing operations. If this happens, it may have a material adverse effect on the financial performance, financial condition, cash flows and growth prospects of the Company.

Supply of consumables

The Company's strong growth has placed pressure on the ability of Soudure Royale and Usinage X-Spec to manufacture and deliver to the Company, respectively, new drills and consumables. Any negative impact on the ability of Soudure Royale and Usinage X-Spec to deliver their products may constrain the Company's ability to increase its capacity and increase or maintain revenue and profitability.

Competition

The Company faces considerable competition from several large drilling services companies and many smaller, regional competitors. Some of the Company's competitors have been in the drilling services industry for a longer period of time and have substantially greater financial and other resources than the Company. Increased competition in the drilling services market may adversely affect the Company's current market share, profitability and growth opportunities. The capital cost to acquire drilling rigs is relatively low, enabling competitors to finance expansion and providing opportunity for new competitors to enter the market. This dynamic exposes the Company to the risk of reduced market share and scope for geographic growth as well as lower revenue and margin for its existing business. As well, there can be no guarantee that the scale advantage that the Company currently enjoys in the Val-d'Or region will continue. Any erosion of the Company's competitive position could have a material adverse effect on the Company's business, results of operations, financial condition and growth prospects.

A significant portion of the drilling services business is a result of being awarded contracts through a competitive tender process. It is possible that the Company may lose potential new contracts to competitors if it is unable to demonstrate reliable performance, technical competence and competitive pricing as part of the tender process or if mining companies elect not to undertake a competitive tender process.

Inability to sustain and manage growth

The Company's revenue has grown in recent years as a result of the combination of Orbit and Garant, the acquisition of Drift and Forage +, and an increase in demand for drilling services. The Company's ability to sustain its growth will depend on a number of factors, many of which are beyond the Company's control, including, but not limited to, commodity prices, the ability of mining companies to raise financing and the demand for raw materials from large, emerging economies such as the BRIC economies. In addition, the Company is subject to a variety of business risks generally associated with growing companies. Future growth and expansion could place significant strain on the Company's management personnel and likely will require the Company to recruit additional management personnel.

There can be no assurance that the Company will be able to manage its expanding operations (including any acquisitions) effectively, that it will be able to sustain or accelerate its growth or that such growth, if achieved, will result in profitable operations, that it will be able to attract and retain sufficient management personnel necessary for continued growth, or that it will be able to successfully make strategic investments or acquisitions. The failure to accomplish any of the foregoing could have a material adverse effect on the Company's financial performance, financial condition, cash flows and growth prospects.

Future acquisition strategy

The Company intends to continue to grow through acquisitions in addition to organic growth. There is considerable competition within the drilling services industry for attractive acquisition targets. It is not possible to ensure that future acquisition opportunities will exist on acceptable terms, or that newly acquired or developed entities will be successfully integrated into the Company's operations. Additionally, the Company cannot give assurances that it will be able to secure the adequate financing on acceptable terms to pursue this strategy.

Customer contracts

The Company's surface drilling customer contracts are typically for a term of six to 12 months and its underground drilling customer contracts are typically for a term of one to two years and can be cancelled by the customer on short notice in prescribed circumstances with limited or no amounts payable to the Company. There is a risk that existing contracts may not be renewed or replaced. The failure to renew or replace some or all of these existing contracts and cancellation of existing contracts could have a material adverse effect on the Company's financial performance, financial condition, cash flows and growth prospects. In addition, consolidation by the Company's customers could materially adversely affect the Company's results of operations and financial condition.

International expansion and instability

Expansion internationally entails additional political and economic risk. Some of the countries and areas targeted by the Company for expansion are undergoing industrialization and urbanization and do not have the economic, political or social stability that many developed nations now possess. Other countries have experienced political or economic instability in the past and may be subject to risks beyond the Company's control, such as war or civil disturbances, political, social and economic instability, corruption, nationalization, terrorism, expropriation without fair compensation or cancellation of contract rights, significant changes in government policies, breakdown of the rule of law and regulations and new tariffs, taxes and other barriers. There is a risk that the Company's operations, assets, employees or repatriation of revenue could be impaired or adversely affected by factors related to the Company's international expansion and have a material adverse effect on the financial performance, financial condition, cash flow and growth prospects of the Company.

Operational risks and liability

Risks associated with drilling include, in the case of employees, personal injury and loss of life and, in the case of the Company, damage and destruction to property, equipment, release of hazardous substances to the environment and interruption or suspension of drill site operation due to unsafe drill operations. The occurrence of any of these events may have an adverse effect on the Company, including financial loss, key personnel loss, legal proceedings and damage to the Company's reputation.

In addition, poor or failed internal processes, people or systems, along with external events could negatively impact the Company's operational and financial performance. The risk of this loss, known as operational risk, is present in all aspects of the business of the Company, including, but not limited to, business disruptions, technology failures, theft and fraud, damage to assets, employee safety, regulatory compliance issues or business integration issues, including integration of Orbit and Garant's accounting software systems.

Currency exposure

The Company currently has approximately $1.4 million of US dollar revenue exposure primarily related to the surface reverse circulation drilling business carried on by Drift. There can be no assurance that this exposure will not change in the future and that a significant portion of the Company's revenue could potentially be denominated in a currency or currencies other than the Canadian dollar, fluctuations of which could cause a negative impact on the Company's financial performance and condition and cash flows performance.

Business interruptions

Business interruptions as a result of a variety of factors, including regulatory intervention, delays in necessary approvals and permits, health and safety issues or product input supply bottlenecks. In addition, the Company operates in a variety of geographic locations, some of which are prone to inclement weather conditions, natural or other disasters. The occurrence of such conditions or any business interruption could have a material adverse effect on the Company's financial performance, financial condition, cash flows and growth prospects.

Risk to the Company's reputation

Risks to the Company's reputation could include any negative publicity, whether true or not, and could cause a decline in the Company's customer base and have a material adverse impact on the Company's financial performance, financial condition, cash flows and growth prospects. All risks have an impact on reputation, and as such, reputational risk cannot be managed in isolation from other types of risk. Every employee and representative of the Company is charged with upholding its strong reputation by complying with all applicable policies, legislation and regulations as well as creating positive experiences with the Company's customers, stakeholders and the public.

Lack of experience in managing a public entity

Management has historically operated the business of the Company as a privately-owned series of companies. The individuals who constitute the Company's senior management team have only recently had responsibility for managing a publicly-traded entity. If these individuals are unable to satisfactorily manage a public entity and ensure the Company's compliance with all continuous disclosure and other requirements applicable to public entities, the Company may be adversely affected.

Environment, health and safety requirements and related considerations

The operations of the Company are subject to a broad range of federal, provincial, state and local laws and regulations as well as permits and other approvals, including those relating to the protection of the environment and workers' health and safety governing, among other things, air emissions, water discharges, non-hazardous and hazardous waste (including waste water), storage, handling, disposal and clean-up of dangerous goods and hazardous materials such as chemicals, remediation of releases and workers' health and safety in Canada and elsewhere (the "Environment, Health and Safety Requirements"). As a result of the Company's operations, it may be involved from time to time in administrative and judicial proceedings and inquiries relating to Environment, Health and Safety Requirements. Future proceedings or inquiries could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's employees are required to attend at worksites of its clients, many of whom insist on compliance with internal health and safety and environmental policies. The activities at these worksites may involve operating hazards that can result in personal injury and loss of life. There can be no assurance that the Company's insurance will be sufficient or effective under all circumstances or against all claims or hazards to which it may be subject or that it will be able to continue to obtain adequate insurance protection. A successful claim or damage resulting from a hazard for which it is not fully insured could adversely affect the Company's results of operations. In addition, if the Company is seen not to adequately implement health and safety and environmental policies, its relationships with its customers may deteriorate, which may result in the loss of contracts and restrict its ability to obtain new contracts.

Insurance limits

The Company maintains property, general liability and business interruption insurance. However, there can be no assurance that such insurance will continue to be offered on an economically feasible basis, that all events that could give rise to a loss or liability are insurable, or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of the Company.

Legislative and regulatory changes

Changes to any of the laws, rules, regulations or policies affecting the business of the Company would have an impact on the Company's business and may significantly and adversely affect the operations and financial performance of the Company.

Legal and regulatory risk

The mining and drilling industries are highly regulated by legal, environmental and health and safety regulations. Failure to comply with such regulations could lead to penalties, including fines or suspension of operations which could have a significant impact on the financial strength and future earnings potential of the Company. Furthermore, the Company's mineral exploration customers are also subject to similar legal, regulatory, health and safety regulations which could materially affect their decision to go ahead with mineral exploration or mine development and thereby indirectly negatively impact the Company.

Risk related to structure and common shares

Equity market risks

There is a risk associated with any investment in shares. The market price of securities such as the Common Shares of the Company are affected by numerous factors including, but not limited to, general market conditions, actual or anticipated fluctuations in the Company's results of operations, changes in estimates of future results of operations by the Company or securities analysts, risks identified in this section and other factors. In addition, the financial markets have experienced significant price and volume fluctuations that have sometimes been unrelated to the operating performance of the companies or the industries in which they operate. As a consequence, the trading price of the Common Shares may fluctuate.

Influence by existing shareholders

1684182 Ontario L.P. ("1684182 Ontario") and 1684182 Ontario (International) L.P. ("1684182 International" and, together with 1684182 Ontario, the "Private Equity Investors") and Pierre Alexandre, the CEO of the Company, hold or control, directly or indirectly, respectively approximately 17% and 32% of Orbit Garant's outstanding Common Shares. In addition, Pierre Alexandre, 6705570 Canada Inc. (of which Pierre Alexandre is a 90% shareholder and Eric Alexandre, the Company's President and COO, is a 5% shareholder), Eric Alexandre and the Private Equity Investors entered into a Voting Agreement (which remains effective as long as certain levels of ownership are maintained) pursuant to which Orbit Garant agreed to nominate, and the shareholders agreed to vote their Common Shares in favour of the election of, Pierre Alexandre, Eric Alexandre and James Johnson (a principal of the Private Equity Investors) and four independent directors (Guthrie Stewart, Jean-Yves Laliberté, Edmund Stuart and Patrick Godin) to the board of directors of Orbit Garant. The shareholders party to the Voting Agreement also agreed to vote their Common Shares in the same manner on any matter that may come before the shareholders of Orbit Garant. As a result, such shareholders have the ability to influence Orbit Garant's strategic direction and policies, including any merger, consolidation or sale of all or substantially all of its assets, and the election and composition of Orbit Garant's board of directors. The foregoing ability to affect the control and direction of Orbit Garant could reduce its attractiveness as a target for potential take-over bids and business combinations, and correspondingly affect its share price.

Future sales of common shares by the Company's existing shareholders

The Private Equity Investors and Pierre Alexandre hold or control, directly or indirectly, approximately 17% and 32% respectively, of the Company's outstanding Common Shares. Although certain of Orbit Garant's shareholders are subject to certain "standstill" provisions for a limited period of time, if one or more of such shareholders sells a substantial number of Common Shares in the public market, the market price of the Common Shares could decline. In addition, the perception among the public that such sales may occur could also result in a reduction in the market price of the Common Shares.

Dilution

Orbit Garant may raise additional funds in the future by issuing equity securities. Holders of Common Shares have no pre-emptive rights in connection with such further issuances. Additional Common Shares may be issued by Orbit Garant in connection with the exercise of options granted. Such additional equity issuances could, depending on the price at which such securities are issued, substantially dilute the interests of the holders of Common Shares.

Dividend payments

Orbit Garant does not expect to pay dividends as it intends to use cash for future growth or debt repayment. In addition, the Credit Agreement places restrictions on the ability of Orbit Garant to declare or pay dividends.

Credit risk

The company provides credit to its customers in the normal course of its operations. The company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. It carries out, on a continuing basis, credit checks on its customers and maintains provisions for contingent credit losses.

Three major customers represent 43% of the trade accounts receivable as at June 30, 2009, respectively by customer, 17%, 14% and 12% (for the period ended June 30, 2008, three major customers represented 33%, respectively by customer, 12%, 11% and 10%).

Three major customers represent 36% of the contract revenue for the year ended June 30, 2009, respectively by customer, 14%, 11% and 11% (for the period ended June 30, 2008, two major customers represented 24% respectively by customer, 13% and 11%).

Interest rate risk

The Company is subject to interest rate risk since a significant part of the long-term debt bears interest at variable rates.

As at June 30, 2009 the Company has estimated that a one percentage point increase or decrease in interest rates would have caused a corresponding annual increase or decrease in net earnings of approximately $73,000.

Fair value

The fair value of cash, accounts receivable, bank overdraft, bank loan, accounts payable and accrued liabilities, client deposits and advances from shareholders is approximately equal to their carrying values due to their short-term maturity.

The fair value of long-term debt approximates its carrying value as it bears interest at variable rates and has financing conditions similar to those currently available to the Company.

OUTLOOK

Poor market conditions prevail, but after seeing a significant decrease in the demand for drilling services from junior exploration companies, the Company is seeing an improvement now that the price of base metals has increased.

The Company remains focused on its intermediate and senior company customers, which provide more stable revenues and the Company actively pursued business opportunities with junior companies.

Management anticipates that the drilling services will be in higher demand if the price of gold remains stable and base metal prices improve.

The Company continues to focus on improving its productivity and efficiency by providing additional training to its personnel and by continuously improving its operating process.

The Company will continue to add new drilling rigs according to customer demand.

The board of directors has approved $5.6 million in capital expenditures for the 2010 fiscal year.

The drilling service market remains fragmented and the Company will continue to look at transactions that would be beneficial to its shareholders.

The Company believes it is well positioned for the next market upswing.

SUPPLEMENTAL DISCLOSURE

This report contains references to EBITDA (earnings before interest, taxes, depreciation and amortization) and normalized EBITDA (EBITDA adjusted for management fees, integration fees and extraordinary transaction fees, which management believes facilitates the comparison of historical periods). Management believes that EBITDA and normalized EBITDA are useful supplemental measures of operating performance prior to debt service, capital expenditures and income taxes. However, EBITDA and normalized EBITDA are not recognized earnings measures under Canadian generally accepted accounting principles ("GAAP") and do not have a standardized meaning prescribed by GAAP. Therefore, EBITDA and normalized EBITDA may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA should not be construed as an alternative to net income or loss (which are determined in accordance with GAAP) 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 and normalized EBITDA may differ materially from the methods used by other public companies and accordingly, may not be comparable to similarly titled measures used by other public companies.

DISCLOSURE CONTROLS AND PROCEDURES

Management of the Company is responsible for establishing and maintaining disclosure controls and procedures for the Company as defined under Multilateral Instrument 52-109 issued by the Canadian Securities Administrators. Management has designed such disclosure controls and procedures, or caused them to be designed under its supervision, to provide reasonable assurance that material information relating to the Company, including its subsidiaries, is made known to the Chief Executive Officer and the Chief Financial Officer by others within those entities, particularly during the period in which the annual filings are being prepared.

Management of the Company has evaluated the effectiveness of its disclosure controls and procedures as of June 30, 2009 and has concluded that the design and effectiveness of these controls and procedures provides reasonable assurance that material information relating to the Company, including its subsidiaries will be made known to management on a timely basis to ensure adequate disclosure.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's CEO and CFO are responsible for designing internal controls over financial reporting ("ICFR") or causing them to be designed under their supervision. The Company's ICFR are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

As discussed above, the inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected. Therefore, no matter how well designed, ICFR has inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

During fiscal 2009, management, including its CEO and CFO, evaluated the existence and design of the Company's ICFR and confirm there were no changes to the ICFR that have occurred during the year which materially affected, or are reasonably likely to materially affect, the Company's ICFR. The Company continues to review and document its disclosure controls and its ICFR, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that its systems evolve with the business. As of June 30, 2009, an evaluation was carried out, under the supervision of the CEO and CFO, of the effectiveness of the Company's ICFR as defined in NI 52-109. Based on this evaluation, the CEO and the CFO concluded that the design and operation of these ICFR were effective.

The evaluations were conducted in accordance with the framework and criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), a recognized control model, and the requirements of NI 52-109.

Management's responsibility for financial reporting

The accompanying consolidated financial statements of Orbit Garant Drilling Inc. (the "company") and all the information in this annual report are the responsibility of the management of the company. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and, where appropriate, include management's best estimates and judgments. Management has reviewed the financial information presented throughout this report and has ensured that it is consistent with the consolidated financial statements.

Management maintains the required system of internal controls designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and the integrity and fairness of the financial information is ensured. In addition, management has reviewed the company's disclosure controls and procedures, which are designed to ensure the quality and timeliness of the disclosures made to the public.

The Board of Directors of the company is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board of Directors carries out this responsibility principally through the Audit Committee. The Board of Directors appoints the Audit Committee, and all of the members of the Audit Committee are independent members of the Board of Directors. The Audit Committee meets periodically with management and the shareholders' auditors to review internal controls, audit results and accounting principles. Acting on the recommendation of the Audit Committee, the consolidated financial statements are forwarded to the Board of Directors of the company for its approval.

Samson Bélair/Deloitte & Touche s.e.n.c.r.l., an independent firm of chartered accountants, has been appointed to express an independent professional opinion on the fairness of the consolidated financial statements. Its report is on page 29 of this annual report. Samson Bélair/Deloitte & Touche s.e.n.c.r.l. has full and free access to the Audit Committee.

Pierre Alexandre
Chief Executive Officer

Alain Laplante, FCGA
Vice-President and Chief Financial Officer

Val-d'Or, Québec
September 21, 2009

Auditors' report

To the shareholders of
Orbit Garant Drilling Inc.

We have audited the consolidated balance sheets of Orbit Garant Drilling Inc. as at June 30, 2009 and 2008 and the consolidated statements of earnings and comprehensive income, retained earnings, accumulated other comprehensive loss and contributed surplus and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Samson Bélair
Deloitte & Touche s.e.n.c.r.l.

Chartered Accountants

August 24, 2009

auditor permit n° 9138

Consolidated statement of earnings and comprehensive income

Year ended	**June 30, 2009 $**	June 30, 2008 $
Contract revenue	**105,162,812**	82,142,216
Cost of contract revenue	**69,079,130**	53,361,743
Gross profit	**36,083,682**	28,780,473
Expenses		
General and administrative	**7,969,915**	5,830,834
Amortization of property, plant and equipment	**4,387,429**	3,318,298
Amortization of intangible assets	**4,338,364**	4,022,002
Management and integration fees	**—**	613,510
Foreign exchange losses (gain)	**(74,636)**	19,305
Other-than-temporary impairment on long-term investments	**303,687**	—
Interest on long-term debt	**344,122**	1,362,815
Interest and bank charges	**218,075**	599,265
	17,486,956	15,766,029
Earnings before the following items	**18,596,726**	13,014,444
Share in net earnings of a company subject to significant influence	**77,316**	410,652
Earnings before income taxes	**18,674,042**	13,425,096
Income taxes (Note 13)		
Current	**7,722,516**	5,779,690
Future	**(1,638,240)**	(1,736,647)
	6,084,276	4,043,043
Net earnings	**12,589,766**	9,382,053
Other comprehensive income (loss)		
Unrealized losses on available-for-sale investments	**(9,163)**	(4,165)
Reclassification to earnings of other-than-temporary impairment on long-term investments	**43,687**	—
	34,524	(4,165)
Comprehensive income	**12,624,290**	9,377,888
Earnings per share (Note 12)		
Basic	**0.39**	0.38
Diluted	**0.38**	0.37

See accompanying notes

Consolidated statement of retained earnings, accumulated other comprehensive loss and contributed surplus

Year ended	**June 30, 2009 $**	June 30, 2008 $
Statement of retained earnings		
Balance, beginning of year	**11,147,690**	1,899,093
Net earnings	**12,589,766**	9,382,053
Dividends	**—**	(133,456)
Balance, end of year	**23,737,456**	11,147,690
Statement of accumulated other comprehensive loss		
Balance, beginning of year	**(34,524)**	(30,359)
Other comprehensive income (loss)	**34,524**	(4,165)
Balance, end of year	**—**	(34,524)
Statement of contributed surplus		
Balance, beginning of year	**450,177**	—
Stock-based compensation to employees and directors (Note 12)	**449,159**	450,177
Balance, end of year	**899,336**	450,177

See accompanying notes

Consolidated balance sheet

	June 30, 2009 $	June 30, 2008 $
Assets		
Current assets		
Cash	**10,557,766**	8,406,502
Accounts receivable	**22,682,833**	19,457,458
Inventories	**19,670,210**	17,623,122
Prepaid expenses	**324,531**	273,065
	53,235,340	45,760,147
Long-term investments (Note 6)	**521,956**	867,486
Property, plant and equipment (Note 7)	**24,106,307**	19,962,716
Goodwill (Note 8)	**19,697,965**	19,697,965
Intangible assets (Note 8)	**5,308,342**	8,223,063
	102,869,910	94,511,377
Liabilities		
Current liabilities		
Bank overdraft	**—**	2,409,634
Bank loan (Note 9)	**—**	5,290,000
Accounts payable and accrued liabilities	**10,641,645**	11,531,237
Client deposits	**348,250**	1,728,329
Income taxes payable	**1,910,453**	1,493,917
Current portion of long-term debt (Note 10)	**88,800**	3,463,856
	12,989,148	25,916,973
Long-term debt (Note 10)	**10,661,182**	2,359,634
Future income taxes (Note 13)	**2,684,627**	3,748,810
	26,334,957	32,025,417
Shareholders' equity		
Share capital (Note 12)	**51,898,161**	50,922,617
Contributed surplus	**899,336**	450,177
	52,797,497	51,372,794
Retained earnings	**23,737,456**	11,147,690
Accumulated other comprehensive loss	**—**	(34,524)
	23,737,456	11,113,166
	76,534,953	62,485,960
	102,869,910	94,511,377

Commitments (note 15)

See accompanying notes

Approved by the board

Eric Alexandre
Director

Jean-Yves Laliberté
Director

Consolidated statement of cash flows

Year ended	**June 30, 2009 $**	June 30, 2008 $
Operating activities		
Net earnings	**12,589,766**	9,382,053
Items not affecting cash:		
Amortization of property, plant and equipment	**4,387,429**	3,318,298
Amortization of intangible assets	**4,338,364**	4,022,002
Loss on sale of property, plant and equipment	**339,437**	—
Other-than-temporary impairment on long-term investments	**303,687**	22,691
Stock-based compensation	**449,159**	450,177
Amortization of financing costs	**69,948**	37,572
Future income taxes	**(1,638,240)**	(1,736,647)
Share in net earnings of a company subject to significant influence less dividends	**(30,516)**	(410,652)
	20,809,034	15,085,494
Changes in non-cash operating working capital items (Note 14)	**(3,569,057)**	(9,068,174)
	17,239,977	6,017,320
Investing activities		
Business acquisition (including bank overdraft of $726,760)	**(5,377,949)**	(4,275,921)
Variation of cash – in trust	**—**	188,556
Proceed from sale of a long-term investment	**48,000**	—
Advances to a shareholder company	**58,883**	(58,883)
Acquisition of property, plant and equipment	**(7,065,021)**	(4,753,381)
Proceeds from sale of property, plant and equipment	**90,464**	61,888
	(12,245,623)	(8,837,741)
Financing activities		
Change in bank loan	**(5,290,000)**	3,790,000
Proceeds from long-term debt	**5,636,034**	3,150,000
Repayment of long-term debt	**(779,490)**	(21,731,010)
Financing costs paid	**—**	(90,662)
Share issue costs paid	**—**	(4,155,579)
Advances from shareholders	**—**	(631,198)
Advances from a shareholder company	**—**	(16,305)
Issuance of share capital	**—**	30,130,024
Dividends paid	**—**	(133,456)
	(433,456)	10,311,814
Increase in cash and cash equivalents	**4,560,898**	7,491,393
Cash and cash equivalents, beginning of the year	**5,996,868**	(1,494,525)
Cash and cash equivalents, end of the year (Note 14)	**10,557,766**	5,996,868

Additional information (Note 14)

See accompanying notes

1. DESCRIPTION OF BUSINESS

Orbit Garant Drilling Inc. (the "company"), amalgamated under the Canada Business Corporations Act, operates mainly an underground and surface diamond drilling business. The company has operations in Canada, United States and Central and South America.

2. BUSINESS ACQUISITION

Acquisition of 9129-5642 Québec inc. (Forage +)

On October 10, 2008, the company acquired all issued and outstanding shares of 9129-5642 Québec inc. (doing a surface diamond drilling business in Canada) for a total net consideration of $3,100,000 (excluding acquisition costs) payable for a cash consideration of $2,124,456 and $975,544 through the issuance of 457,142 common shares of the company based on the 30-day average trading price. Further, the company has paid a cash consideration of $2,431,247 as compensation of the net working capital of the company at the acquisition date and an amount of $95,486 for acquisition costs.

The results of operations of 9129-5642 Québec inc. are included in the consolidated financial statements from October 10, 2008.

The purchase price of the above transaction was allocated to the net assets acquired on the basis of their estimated fair values as follows:

	$
Current assets	4,929,993
Property, plant and equipment	1,895,901
Intangible assets – customer relationship	1,423,643
Bank overdraft	(726,760)
Current liabilities	(1,321,986)
Future income taxes	(574,058)
Purchase price	5,626,733
Consideration	
Cash (including acquisition costs of $95,486)	4,651,189
Issuance of common shares	975,544
	5,626,733

3. CHANGES IN ACCOUNTING POLICIES

The company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3031, Inventories replacing Section 3030, Inventories, Section 3862, Financial Instruments – Disclosures, Section 3863, Financial Instruments – Presentation, and Section 1535, Capital Disclosures on July 1, 2008.

Inventories

Section 3031, Inventories, provides more guidance on the determination of the cost of inventory and the subsequent recognition of inventory as an expense, as well as requiring additional associated disclosures. The new standard also allows for the reversal of any write-downs previously recognized. The retrospective adoption of this policy had no material effect on the company's consolidated financial statements. (See Note 5 – Inventory.)

Further upon adoption of this standard, the company changed its valuation of supplies inventory from the lower of cost and replacement cost to the lower of cost and net realizable value. The change in valuation had no significant impact on the company's financial statements.

Financial instruments and capital disclosures

Section 3862 on financial instruments disclosures requires the disclosure of information about: a) the significance of financial instruments for the entity's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861. Section 1535 on capital disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital. As the standards relate only to disclosure requirements, they have had no effect on financial results (see Note 11 – Capital Management and Note 17 – Financial Instruments).

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

Principles of consolidation

The consolidated financial statements includes the accounts of the company and its wholly-owned subsidiaries as follows:

Orbit Garant Drilling, a General Partnership
9116-9300 Québec Inc.
4378792 Canada Inc.
Drift Exploration Drilling Inc.
Drift de Mexico SACV
9129-5642 Québec Inc., (Forage +, since October 10, 2008)

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the company's designation of such instruments. Settlement date accounting is used.

Asset/liability	*Classification*	*Measurement*
Cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Investments in shares of public companies	Available-for-sale	Fair value
Investment in shares of private companies	Available-for-sale	Amortized cost
Advances to a private company	Loans and receivables	Amortized cost
Bank overdraft	Held for trading	Fair value
Bank loan	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Client deposits	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost

Cash and cash equivalents

Cash and cash equivalents include cash and bank overdraft of which the balance often fluctuates between the available cash amount and the indebtedness.

Inventories

The company maintains an inventory of operating supplies, drill rods and drill bits. Inventories are valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis. Used inventories are valued at 50% of cost.

Investments

Investments in companies over which the company exercises significant influence are accounted for using the equity method. The company's share of income (loss) from these companies is presented in the statement of earnings.

Property, plant and equipment

The property, plant and equipment are valued at cost and amortization is calculated using the straight-line method based on their estimated useful life using the following periods:

Parking	10 years
Buildings	5 to 20 years
Office equipment	5 years
Drilling equipment	5 to 10 years
Machinery and equipment	5 years
Computer equipment	3 to 5 years
Vehicles	5 years
Leasehold improvements	5 years

Goodwill

Goodwill, representing the excess of purchase price over fair value of the net identifiable assets of acquired businesses, is tested for impairment annually or more frequently when an event or circumstance occurs that indicates that goodwill might be impaired. When the carrying amount exceeds the fair value, an impairment loss is recognized in the statement of earnings in an amount equal to the excess.

Intangible assets

Intangible assets are accounted for at cost. Amortization is based on their estimated useful life using the straight-line method and the following periods:

Customer relationship	36 and 42 months
Non-compete agreement	5 years

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss if any is determined as the excess of the carrying value of the asset over its fair value.

Income taxes

The company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recorded to account for future tax effects of differences between the value of the assets and liabilities on the balance sheet and their tax values, by using the tax rates in effect for the year during which the differences are expected to reverse. Management reduces the carrying value of the future income tax assets by a valuation allowance when it is more likely than not that some portion of the asset will not be realized.

Foreign currency translation

Integrated foreign operation and accounts denominated in foreign currency are translated as follows: monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the period except for amortization, which is translated at historical rates. Translation gains or losses are included in earnings.

Revenue recognition

Revenue from drilling contracts is recognized on the basis of actual meterage drilled for each contact. Revenue from ancillary services is recorded when the service is rendered. The company recognizes revenue when persuasive evidence of an arrangement exists, service has been rendered, the price to the buyer is fixed or determinable and collection is reasonably assured.

Earnings per share

Earnings per share are calculated using the weighted daily average number of shares outstanding during the year.

Diluted earnings per share are determined as net earnings divided by the weighted average number of diluted common shares for the year. Diluted common shares reflect the potential dilutive effect of exercising the stock options based on the treasury stock method.

Stock options

The company uses the fair value method to account for stock options. In accordance with this method, compensation cost is measured at the fair value of the option at the grant date and is amortized to earnings over the vesting period.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Significant areas requiring the use of management estimates relate to the useful lives of property, plant and equipment and intangible assets for amortization purposes, valuation of goodwill, inventory valuation, determination of bad debt allowance, purchase price allocation related to business acquisitions, income and other taxes, amounts recorded as accrued liabilities and stock-based compensation.

Future accounting policies

a) Goodwill and intangible assets:

In February 2008, the Canadian Institute of Chartered Accountants (“CICA”) issued Section 3064, Goodwill and intangible assets, replacing Section 3062, Goodwill and other intangible assets and Section 3450, Research and development costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the company will adopt the new standards for its fiscal year beginning July 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The company is currently evaluating the impact of the adoption of this new Section will on its consolidated financial statements.

b) In January 2009, the CICA issued the following new Handbook sections:

i. Section 1582, “Business Combinations”, which replaces Section 1581, “Business Combinations”. The Section establishes standards for the accounting for a business combination. It provides the Canadian equivalent to the IFRS standard, IFRS 3 (Revised), “Business Combinations”. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first reporting period. Earlier adoption is permitted. The company is currently evaluating the impact of the adoption of this new Section on the consolidated financial statements.

ii. Section 1601, “Consolidated Financial Statements” and Section 1602, “Non-Controlling Interests”, which together replace Section 1600, “Consolidated Financial Statements”. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised), “Consolidated and Separate Financial Statements”. The Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. The company is currently evaluating the impact of the adoption of these new Sections on the consolidated financial statements.

c) International Financial Reporting Standards:

In 2006, the Canadian Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect the financial reporting requirements applicable to Canadian companies. The AcSB strategic plan outlines the convergence of Canadian accounting standards with international standards (IFRS) over an anticipated five-year transition period. In February 2008, the AcSB announced that 2011 would be the changeover date for public entities to move from Canadian GAAP to IFRS. Consequently, the company’s transition date of July 1, 2011 will require the restatement for comparative purposes of amounts reported by the company for its year ending June 30, 2011 and the opening balance sheet as at July 1, 2010. The Company is currently in the process of developing a conversion implementation plan and assessing the impacts of the conversion on the consolidated financial statements and disclosures of the company.

5. INVENTORY

The cost of inventory recognized as an expense and included in cost of contract revenue for the year ended June 30, 2009 was $22,733,622 (June 30, 2008, $15,816,343). During the year, there were no significant write-downs of inventory as a result of net realizable value being lower than cost and no inventory write-downs recognized in previous years were reversed.

The company’s credit facilities related to operations is in part secured by a general assignment of the company’s inventory.

6. LONG-TERM INVESTMENTS

	June 30, 2009 **$**	June 30, 2008 $
Company subject to significant influence:		
6483976 Canada Inc. (Usinage X-SPEC):		
4,000 class A shares, representing 40% of the voting shares, participating, at equity method	**473,956**	443,440
48,000 class I shares, non-participating, non-voting, maximum dividend of 8% per year, redeemable at the option of the company at $48,000, at cost	**48,000**	96,000
	521,956	539,440
Others:		
Private companies:		
104,000 shares of Explorateurs-Innovateurs de Québec inc. (cost $260,000) representing 4.80% of the voting and participating shares[1]	**—**	260,000
Advances to a private company, variable interest rates, no specific terms of repayment	**—**	58,883
Public company:		
83,300 shares of Typhoon Exploration Inc., at fair value (cost $50,000)[1]	**—**	9,163
	—	328,046
	521,956	867,486

(1) During the year, the company accounted for an other-than-temporary impairment on these investments due to a prolonged decline in their fair value.

7. PROPERTY, PLANT AND EQUIPMENT

	Cost $	Accumulated amortization $	**Net book value June 30, 2009 $**
Land	410,887	—	**410,887**
Parking	20,000	11,000	**9,000**
Buildings	1,124,127	196,949	**927,178**
Office equipment	178,663	78,587	**100,076**
Drilling equipment	25,118,368	6,963,611	**18,154,757**
Machinery and equipment	606,164	195,115	**411,049**
Computer equipment	767,914	299,991	**467,923**
Vehicles	5,108,428	1,603,183	**3,505,245**
Leasehold improvements	166,058	45,866	**120,192**
	33,500,609	9,394,302	**24,106,307**

	Cost $	Accumulated amortization $	Net book value June 30, 2008 $
Land	118,001	—	118,001
Parking	20,000	7,000	13,000
Buildings	1,124,127	119,998	1,004,129
Office equipment	146,553	46,136	100,417
Drilling equipment	18,557,731	3,780,067	14,777,664
Machinery and equipment	426,126	109,963	316,163
Computer equipment	659,220	141,237	517,983
Vehicles	3,853,781	808,835	3,044,946
Leasehold improvements	94,532	24,119	70,413
	25,000,071	5,037,355	19,962,716

8. GOODWILL AND INTANGIBLE ASSETS

	Cost $	Accumulated amortization $	**Net book value June 30, 2009** **$**
Goodwill	19,697,965	—	**19,697,965**
Intangible assets, limited life:			
Customer relationship	14,023,643	9,744,801	**4,278,842**
Non-compete agreement	2,110,000	1,080,500	**1,029,500**
	16,133,643	10,825,301	**5,308,342**

	Cost $	Accumulated amortization $	Net book value June 30, 2008 $
Goodwill	19,697,965	—	19,697,965
Intangible assets, limited life:			
Customer relationship	12,600,000	5,828,436	6,771,564
Non-compete agreement	2,110,000	658,501	1,451,499
	14,710,000	6,486,937	8,223,063

9. BANK OVERDRAFT AND BANK LOAN

The company has an authorized line of credit for an amount of $7,000,000 bearing interest at prime rate based on the calculation of quarterly financial ratio and can vary from prime rate plus 0.42% to 1.42% renewable on November 30, 2009. Any funds advanced pursuant to this line of credit are secured by a first rank hypothec on the universality of all present and future assets. On June 30, 2009, the prime rate was 2.25% (June 30, 2008, 5.75%).

Under the terms of the bank loan agreement, the company must satisfy certain restrictive covenants as to minimum financial ratios.

10. LONG-TERM DEBT

	June 30, 2009 **$**	June 30, 2008 $
Loan authorized for a maximum amount of $20 million, quarterly reduced, since September 2008, by principal amount of $714,286, bearing interest at prime rate plus 0.42%, maturing June 2012, secured by first rank hypothec on the universality of all present and future assets. The company shall quarterly repay the amount in excess of the authorized amounts as so reduced on such date a) b)	**7,242,590**	—
Loan authorized for a maximum amount of $6 million, quarterly reduced, since September 2008, by principal amount of $300,000, bearing interest at prime rate plus 0.42%, maturing June 2012, secured by first rank hypothec on the universality of all present and future assets. The company shall quarterly repay the amount in excess of the authorized amounts as so reduced on such date a)	**3,300,000**	593,316
Loan bearing interest at prime rate plus 0.25%, payable by quarterly payments of $714,286 plus interest, maturing June 2012, secured by a first rank hypothec on the universality of all present and future assets a)	**—**	5,186,928
Loan, non-interest bearing, payable by monthly instalments of $6,557, maturing September 2011, secured by a vehicle	**177,025**	—
Contract, non-interest bearing, payable by monthly instalments of $844, maturing in June 2012, secured by a vehicle	**30,367**	43,246
	10,749,982	5,823,490
Current portion	**(88,800)**	(3,463,856)
	10,661,182	2,359,634

a) The rate is variable based on the quarterly calculation of a financial ratio and can vary from prime rate plus 0.42% to 1.42% (June 30, 2008, prime rate plus 0.25% to 1.25%).

b) An unamortized amount of $142,834 (June 30, 2008, $212,782), representing financing fees, has been presented in deduction of the long-term debt. This amount is being amortized to earnings over the term of the debt, using the effective interest method.

Under the terms of the long-term debt agreement, the company must satisfy certain restrictive covenants as to minimum financial ratios.

On June 30, 2009, the prime rate was 2.25% (June 30, 2008, 5.75%). Principal payments required in each of the next three years are as follows:

	$
2010	88,800
2011	88,800
2012	10,715,216

11. CAPITAL MANAGEMENT

The company includes shareholders' equity (excluding accumulated other comprehensive loss), long-term debt, bank loan and bank overdraft net of cash in the definition of capital.

Total managed capital was as follows:

	June 30, 2009 $	June 30, 2008 $
Bank overdraft	**—**	2,409,634
Bank loan	**—**	5,290,000
Long-term debt	**10,749,982**	5,823,490
Share capital	**51,898,161**	50,922,617
Contributed surplus	**899,336**	450,177
Retained earnings	**23,737,456**	11,147,690
Cash	**(10,557,766)**	(8,406,502)
	76,727,169	67,637,106

The company's objective when managing its capital structure is to maintain financial flexibility in order to: i) preserve access to capital markets; ii) meet financial obligations and iii) finance internally generated growth and potential new acquisitions. To manage its capital structure, the company may adjust spending, issue new shares, issue new debt or repay existing debt.

Under the terms of certain of the company's debt agreements, the company must satisfy certain financial covenants, such as Senior debt to earnings before income taxes, interest, depreciation and amortization ratio, Senior debt to capitalization ratio and Fixed charge coverage ratio. Such agreements also limit, among other things, the company's ability to incur additional indebtedness, create liens, engage in mergers or acquisitions and make dividend and other payments. During the period, the company was, and continues to be, in compliance with all covenants and other conditions imposed by its debt agreements.

In order to facilitate the management of its capital requirements, the company prepares annual budgets that are updated as necessary, dependent on various factors.

The company's objectives with regards to capital management remain unchanged from the prior period.

12. SHARE CAPITAL

Authorized, an unlimited number of common and preferred shares:

Common shares, participating and voting

Preferred shares, rights' privileges, restrictions and conditions shall be provided before their issuance by a resolution of the board of directors of the company

Common shares issued:

	June 30, 2009		June 30, 2008	
	Number of shares	**$**	Number of shares	$
Balance, beginning of the year	**32,281,542**	**50,942,617**	24,749,870	23,816,436
Shares issued:				
For cash a)	**—**	**—**	13,333	20,000
For business acquisition b)	**457,142**	**975,544**	—	—
Upon initial public offering, net of share issue costs c)	**—**	**—**	7,505,006	27,086,181
For share purchase financing d)	**—**	**—**	13,333	20,000
	32,738,684	**51,918,161**	32,281,542	50,942,617
Share purchase financing d)	**—**	**(20,000)**	—	(20,000)
Balance, end of the year	**32,738,684**	**51,898,161**	32,281,542	50,922,617

a) Issuance during the year ended June 30, 2008:

On August 20, 2007, the company issued 13,333 common shares and received as consideration $20,000 in cash.

b) Issuance during the year ended June 30, 2009:

On October 10, 2008, the company issued 457,142 common shares for an amount of $975,544 as part of the consideration for the acquisition of 9129-5642 Québec inc. (see Note 2).

c) Initial public offering:

On June 20, 2008, the company filed a prospectus, for its initial public offering, qualifying the offering of 15,000,000 common shares in the capital of the company of which (i) 7,505,006 common shares were issued and sold by Orbit Garant at a price of $4.00 per share for gross proceeds to Orbit Garant of $30,020,024, and (ii) 7,494,994 common shares being sold by certain of the existing shareholders at the time of Orbit Garant (the “Secondary Offering”) at a price of $4.00 per common share for gross proceeds to these shareholders of $29,979,976. The underwriters received a cash fee of $3,600,000 (6% of the gross proceeds) ($1,801,201 paid by the company and $1,798,799 paid by the shareholders) and an additional fee of $216,000 ($108,072 paid by the company and $107,928 paid by the shareholders). Other share issue costs amount to $2,246,306 for total share issue costs of $4,155,579 for the company. Further, a future income tax asset in the amount of $1,221,736 has been recorded as an offset to share issue costs.

d) Share purchase financing:

On August 20, 2007, 13,333 common shares were issued to an employee of the company at $1.50 per common share under the company’s share purchase plan. The company granted a five-year loan in the amount of $20,000 to this employee pursuant to the terms and conditions set out in a promissory note secured by a pledge of the securities. The loan is repayable at the earlier of (i) the date the shares were sold or, (ii) at the maturity date of the loan. Interest on the principal of the loan is calculated and compounded annually at a rate of 8%.

Earnings per share

Diluted earnings per common share were calculated based on net earnings divided by the average number of common shares outstanding taking into account the dilutive effect of stock options using the treasury stock method.

	June 30, 2009 $	June 30, 2008 $
Earnings per share – basic		
Net earnings available to common shareholders	**12,589,766**	9,382,053
Average basic number of common shares outstanding	**32,610,935**	24,855,130
Earnings per share – basic	**0.39**	0.38
Earnings per share – diluted		
Net earnings available to common shareholders	**12,589,766**	9,382,053
Average basic number of common shares outstanding	**32,610,935**	24,855,130
Adjustment to average number of common shares		
Stock options	**238,201**	781,188
Average diluted number of common shares outstanding	**32,849,136**	25,636,318
Earnings per share – diluted	**0.38**	0.37

The calculation of the diluted earnings per share for the year ended June 30, 2009 excludes the effect of 625,000 options (nil in 2008) as they are anti-dilutive.

2007 stock option plan

In January 2007, the Board of Directors adopted a stock option plan (the "2007 stock option plan"). The purpose of this plan is to retain, motivate and reward qualified directors, officers, employees and consultants of the company.

On August 20, 2007, 38,500 stock options (June 30, 2007, 1,017,000) have been granted giving the option to purchase a common share for an exercise price of $1.50 (June 30, 2007, $1) per share which represents the fair value of a common share at the date of the grant. These options have a maximum life of 10 years following the date of the grant and can only be exercised upon the occurrence of a liquidity event as defined in the stock option agreement. Since a liquidity event is not considered to be probable until the event occurs, no compensation cost is recognized until a liquidity event occurs.

On June 26, 2008, the company completed an initial public offering ("IPO"). Since an IPO is considered as a liquidity event, the compensation cost is recognized starting on June 26, 2008.

On June 26, 2008, concurrent with the IPO, the vesting and expiry terms of the outstanding options were modified and will now vest at the rate of 50% 31 days after the closing date of the IPO and 25% on each of the first and second anniversary of the closing date of the IPO and will expire 10 years after the grant date.

2008 stock option plan

Also, on June 26, 2008, the company established the new option plan (the "2008 stock option plan"), which is intended to aid in attracting, retaining and motivating the company's officers, employees, directors and consultants. The new option plan has been prepared in accordance with TSX's policies on listed company security-based compensation arrangements. Persons eligible to be granted options under the new option plan are any director, officer or employee of Orbit Garant or of any subsidiary, corporation controlled by any such person or a family trust of which at least one trustee is any such person and all of the beneficiaries of which are such person and his or her spouse or children.

The aggregate number of common shares which may be issued from treasury under the new option plan or reserved for issuance upon the exercise of options under the 2008 stock option plan shall not exceed 10% of the issued and outstanding common shares after giving effect to the June 26, 2008 offering less the number of options issued under the prior option plan. The number of common shares which may be reserved for issuance pursuant to options granted under the new option plan, together with common shares reserved for issuance from treasury under any other employee-related plan of the company or options for services granted by the company, to any one person shall not exceed 5% of the then aggregate issued and outstanding common shares.

The Board of Directors, through the recommendation of the compensation and corporate governance committee, will administer the 2008 stock option plan and will determine, among other things, optionees, vesting periods, exercise price and other attributes of the options, in each case pursuant to the 2008 stock option plan, applicable securities legislation and the rules of the TSX. Unless otherwise determined by the Board of Directors, options will vest at a rate of 20% per annum commencing 12 months after the date of grant and will expire no later than 10 years after the grant date. Options are forfeited when the option holder ceases to be a director, officer or employee of the company. The exercise price for any option may not be less than the fair market value (the closing price of the common shares on the TSX on the last trading day on which common shares traded prior to such day, or the average of the closing bid and ask prices over the last five trading days if no trades accrued over that period) of the common shares at the time of the grant of the option.

All stock options outstanding are granted to Directors, Officers and employees. Details regarding the stock options outstanding are as follows:

	Number of options	Weighted average exercise price $
Outstanding as of July 1, 2007	1,017,000	1.00
Granted during the year	663,500	3.85
Cancelled during the year	(7,500)	1.00
Outstanding as of June 30, 2008	1,673,000	2.13
Outstanding as of June 30, 2009	1,673,000	2.13
Exercisable as at June 30, 2009	911,000	1.43

The following table summarized information on stock options outstanding at June 30, 2009.

Range of exercise prices $	Outstanding at June 30, 2009	Weighted average remaining life (years)	Weighted average exercise price $	Exercisable at June 30, 2009	Weighted average exercise price $
1.00 – 1.50	1,048,000	7.61	1.02	786,000	1.02
4.00	625,000	8.99	4.00	125,000	4.00
	1,673,000			911,000	

The company's calculations of the fair value of options granted were made using the Black-Scholes option-pricing model. The following table summarizes the grant date and modification date fair value calculations with weighted average assumptions:

	Granted in 2008	Modification of the 2007 stock option plan	Granted in 2007
Risk-free interest rate	3.38%	3.38%	4.10%
Expected life (years)	7	—	5
Expected volatility	49%	—	46%
Expected dividend yield	0%	—	0%
Fair value of options granted	$ 2.17	$ 0.00	$ 0.46
Expected life before modification (days)	—	1	—
Expected life after modification (years)	—	5	—
Expected volatility before modification	—	10%	—
Expected volatility after modification	—	41%	—
Fair value of the modification	—	$ 0.18	—

During the year ended June 30, 2009, the total expense related to stock-based compensation to employees and directors amounting to $449,159 has been recorded and presented in general and administrative expenses ($450,177 for the year ended June 30, 2008).

13. INCOME TAXES

Income tax expense comprises the following:

	June 30, 2009 $	June 30, 2008 $
Current	**7,722,516**	5,779,690
Future	**(1,638,240)**	(1,736,647)
	6,084,276	4,043,043

Income tax expense differs from the amounts calculated by applying Canadian statutory rates (federal and provincial) of 31.89% (2008, 32.02%) to the earnings before income taxes as follows:

	June 30, 2009 $	June 30, 2008 $
Earnings before income taxes	**18,674,042**	13,425,096
Income taxes based on statutory rates	**5,955,152**	4,298,716
Increase (decrease) of income taxes due to the following:		
Non-deductible expenses	**37,362**	36,481
Non-deductible stock-based compensation expense	**143,237**	144,147
Non-taxable share in net earnings of a company subject to significant influence	**(24,656)**	(131,491)
Effect of corporate tax rate modification	**(26,819)**	(265,500)
Other items	**—**	(39,310)
Total income taxes	**6,084,276**	4,043,043

Future income taxes are based on differences between the accounting and tax values of assets and liabilities and consist of the following as at the dates presented:

	June 30, 2009 $	June 30, 2008 $
Future income tax assets:		
Share issue costs	**737,897**	977,515
Long-term investments	**14,797**	—
Total future income tax assets	**752,694**	977,515
Future income tax liabilities:		
Long-term investments	**—**	76,450
Property, plant and equipment	**1,823,380**	2,194,374
Intangible assets	**1,613,941**	2,455,501
Total future income tax liabilities	**3,437,321**	4,726,325
Net future income tax liabilities	**2,684,627**	3,748,810

14. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

Changes in non-cash operating working capital items

	June 30, 2009 $	June 30, 2008 $
Accounts receivable	**844,623**	(6,946,637)
Inventories	**(1,197,110)**	(7,104,776)
Prepaid expenses	**(41,449)**	(23,663)
Accounts payable and accrued liabilities	**(1,882,378)**	4,303,133
Client deposits	**(1,380,079)**	1,258,974
Income taxes payable	**87,336**	(555,205)
	(3,569,057)	(9,068,174)
Cash and cash equivalents		
Cash	**10,557,766**	8,406,502
Bank overdraft	**—**	(2,409,634)
	10,557,766	5,996,868
Other information		
Interest paid	**562,197**	1,961,917
Income taxes paid	**7,084,055**	6,334,895

15. COMMITMENTS

Under the terms of operating leases of business premises expiring 2010 and 2011, the company is committed to make minimum payments totaling $56,450 as at June 30, 2009 detailed as follows:

	$
2010	43,826
2011	12,624

16. RELATED PARTY TRANSACTIONS

The company is related to 2867-3820 Québec Inc., a company owned by a director and 1684181 Ontario Inc., which managed by a director of the company.

The company is also related to 6483976 Canada Inc. (Usinage X-SPEC) due to the significant influence exercised by the company.

During the year, the company entered into the following transactions with its related companies:

	June 30, 2009 $	June 30, 2008 $
Sales	**94,962**	122,521
Purchases	**1,339,092**	2,756,911
Rent	**108,534**	111,000
Management fees	**—**	250,000

These above transactions were made within the normal course of operations and have been recorded at the exchange amount which is the amount of consideration established and agreed to by related parties.

During the year ended June 30, 2009, the company paid to 2867-3820 Québec Inc., equipment in the amount of $150,400. This transaction was not made within the normal course of operations and has been recorded at net book value.

During the year ended June 30, 2008, the company paid, to 1684181 Ontario Inc., IPO transaction fees in the amount of $450,000. This transaction was not made within the normal course of operations and has been recorded at the exchange.

As at June 30, 2009, accounts payable and accrued liabilities include a balance of $6,716 (June 30, 2008, $886,556) resulting from these transactions.

17. FINANCIAL INSTRUMENTS

The company is exposed to various risks related to its financial assets and liabilities. There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks, or the methods used to measure them, from previous periods, unless otherwise stated in this note.

Currency risk

The company realizes a part of its activities in US dollars and is thus exposed to foreign exchange fluctuations. The company does not actively manage this risk. As at June 30, 2009, the company has cash in US dollars for an amount of $179,591 (June 30, 2008, $244,957) and accounts receivable in US dollars for an amount of $176,724 (June 30, 2008, $512,882).

As at June 30, 2009, the company has estimated that a ten percent increase or decrease of the US exchange rate would have caused a corresponding annual increase or decrease in net earnings of approximately $17,670.

Credit risk

The company provides credit to its customers in the normal course of its operations. The company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. It carries out, on a continuing basis, credit checks on its customers and maintains provisions for contingent credit losses. Demand for the company's drilling services depends upon the level of mineral exploration and development activities conducted by mining companies, particularly with respect to gold, nickel and copper.

In order to reduce the credit risk, the company is using insurance coverage from Export Development Canada ("EDC") on certain accounts receivable from its customers. The insurance program provides under certain terms and conditions an insurance coverage amount of up to 90% of unpaid accounts. As at June 30, 2009, the amount of the insurance coverage from EDC represents approximately 53% of the accounts receivable.

The carrying amounts for accounts receivable are net of allowances for doubtful accounts, which are estimated based on aging analysis of receivables, past experience, specific risks associated with the customer and other relevant information. The maximum exposure to credit risk is the carrying value of the financial assets.

As at June 30, 2009, 38.2% of the trade accounts receivable are aged as current and 8% of receivables are impaired.

Three major customers represent 43% of the trade accounts receivable as at June 30, 2009, respectively by customer, 17%, 14% and 12% (June 30, 2008, three major customers represent 33%, respectively by customer, 12%, 11% and 10%).

Three major customers represent 36% of the contract revenue for the year ended June 30, 2009, respectively by customer, 14%, 11% and 11% (June 30, 2008, two major customers represent 24% respectively by customer, 13% and 11%).

Credit risk also arises from cash and cash equivalents with banks and financial institutions. This risk is limited because the counterparties are mainly Canadian banks with high credit rating.

The company does not enter into derivatives to manage credit risk.

Interest rate risk

The company is subject to interest rate risk since a significant part of the long-term debt bears interest at variable rates.

As at June 30, 2009 the company has estimated that a one percentage point increase or decrease in interest rates would have caused a corresponding annual increase or decrease in net earnings of approximately $73,000.

Fair value

The fair value of cash, accounts receivable, bank overdraft, bank loan, accounts payable and accrued liabilities and client deposits is approximately equal to their carrying values due to their short-term maturity.

The fair value of long-term debt approximates its carrying value as it bears interest at variable rate and has financing conditions similar to those currently available to the company.

Liquidity risk

Liquidity risk arises from the company's management of working capital, the finance charges and principal repayments on its debt instruments. It is the risk that the company will not be able to meet its financial obligations as they fall due.

The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Notes 9 and 10 are details of undrawn facilities that the company has at its disposal to further reduce liquidity risk.

	Total $	0–1 year $	2–3 years $
Client deposits	348,250	348,250	—
Accounts payable and accrued charges	10,641,645	10,641,645	—
Long-term debt (capital only)	10,892,816	88,800	10,804,016
	21,882,711	11,078,695	10,804,016

18. SEGMENTED INFORMATION

The company operates in three geographic segments, Drilling Canada, Drilling International (US, Central and South America) and Manufacturing Canada. The services provided in each of the reportable drilling segments are essentially the same. Management evaluates performance based on gross profit in these three geographic segments before interest, general corporate expenses and income taxes. Data relating to each of the company's reportable segments is presented as follows:

	June 30, 2009 $	June 30, 2008 $
Contract revenue		
Drilling Canada	**100,685,504**	67,685,486
Drilling International	**3,779,951**	8,383,809
Manufacturing Canada	**697,357**	6,072,921
	105,162,812	82,142,216
Gross profit		
Drilling Canada	**35,274,400**	22,548,090
Drilling International	**417,911**	3,901,784
Manufacturing Canada	**391,371**	2,353,290
	36,083,682	28,803,164
Interest	**562,197**	1,962,080
General corporate expenses	**16,847,443**	13,393,297
Income taxes	**6,084,276**	4,043,043
	23,493,916	19,398,420
Net earnings	**12,589,766**	9,404,744
Identifiable assets		
Drilling and Manufacturing Canada	**96,723,872**	87,870,298
Drilling International	**6,146,038**	6,641,079
	102,869,910	94,511,377
Property, plant and equipment		
Drilling and Manufacturing Canada	**21,938,502**	18,217,149
Drilling International	**2,167,805**	1,745,567
	24,106,307	19,962,716
Amortization		
Drilling and Manufacturing Canada	**8,241,220**	7,097,885
Drilling International	**484,573**	242,415
	8,725,793	7,340,300

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

Directors and officers

Directors

James C. Johnson
Chairman of the Board of Directors, Orbit Garant
Managing Partner, Signal Hill Equity Partners Inc.

Patrick Godin[1,2*]
Vice-President, Project Development, GMining Services Inc.

Jean-Yves Laliberté[1*,2]
Chief Financial Officer, Cartier Resources Inc.
and Abitex Resources Inc.

Guthrie J. Stewart[1,2]
Corporate Director

Edmund Stuart
President, Brannach Services Inc.

Pierre Alexandre
Chief Executive Officer, Orbit Garant

Eric Alexandre
President and Chief Operating Officer, Orbit Garant

1 Member of Audit Committee.
2 Member of Compensation and Corporate Governance Committee.
* Denotes Committee Chair

Officers

Pierre Alexandre
Chief Executive Officer

Eric Alexandre
President and Chief Operating Officer

Alain Laplante
Vice-President and Chief Financial Officer

Richard Alexandre
Director of Operations – International and Surface

Ronald Thibault
Director of Operations – Underground

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Stock Exchange Listing
Toronto Stock Exchange
Trading Symbol: OGD

Common Shares Outstanding
32,738,684 (as at June 30, 2009)

General Counsel
Goodmans LLP

Auditors
Samson Bélair/Deloitte & Touche s.e.n.c.r.l.

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