Orbit Garant Drilling Inc.

2010 ANNUAL REPORT

GENERATING CONSISTENT REVENUE GROWTH

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 600 employees and 155 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.









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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 2010, despite a challenging operating environment. Primarily as a result of new contracts initiated in the period and a record number of metres drilled, contract revenue increased significantly to $110 million. Gross profit was $33.6 million, representing a margin of 30.6%. The Company ended the year with a strong balance sheet. EBITDA* totalled $27.9 million, representing a margin of 25.4 per cent, while net earnings per Common Share were $0.38 basic and diluted.

For the year ended June 30 * In millions ($)	**2010 Fiscal 12 months**	2009 Fiscal 12 months
Contract revenue		
Drilling Canada*		
– Surface*	**52.6**	54.9
– Underground*	**46.6**	45.8
	99.2	100.7
Drilling International – surface*	**10.2**	3.8
Manufacturing Canada*	**0.6**	0.7
Total*	**110.0**	105.2
Gross profit*	**33.6**	36.1
Gross profit %	**30.6**	34.3
Net earnings*	**12.6**	12.6
Net earnings per Common Share ($)	**0.38**	0.39
Net earnings per Common Share diluted ($)	**0.38**	0.38
Total assets*	**108.5**	102.9
Long-term debt*	**0.2**	10.7
Dividend in cash*	**—**	—
Total metres drilled (million)	**1.3**	1.1
EBITDA*	**27.9**	28.0
EBITDA %*	**25.4**	26.6

* See supplemental disclosure

James C. Johnson
CHAIRMAN OF THE BOARD

Dear fellow shareholders:

On behalf of the Board of Directors, I am pleased to present the third Annual Report for Orbit Garant Drilling Inc. Since becoming a public company in 2008, Orbit Garant has continued to build on its history of industry leadership and growth. I am delighted to report that 2010 was another very good year for our Company.

In operation for over 25 years, Orbit Garant understands the cyclical nature of the drilling industry. The Company's strategies, operational excellence and corporate values have endured through even the most difficult times. In the most recent cyclical downturn, Orbit Garant delivered strong revenue and stable results in the face of a global economic recession and difficult industry conditions.

Our strong reputation enabled us to add new, top-tier clients to our customer base and to achieve revenue growth, despite the challenging environment. Management has successfully managed costs and improved efficiencies, which ideally positions us for recovering market conditions. In management's letter to shareholders on Page 3 of this report, you will read about the concentrated strategic focus that yielded this year's strong performance.

In 2010, we advanced our growth strategy, adding world-class customers in new geographic regions. Our focus continues to be on developing strong customer relationships in stable regions and on improving our cost advantage. We also announced the consolidation of our operations into a single facility, an initiative designed to reduce costs, further the development of new technology and enhance growth.

Looking ahead, we remain dedicated to our proven operating strategies and focused on continuing to increase our market share in Canada and abroad. Internally, we are enhancing our business at all levels of the organization and we're entering 2011 in a position of financial strength. As the mining industry continues to improve and exploration and development budgets increase, Orbit Garant is well positioned to capitalize. We remain dedicated to working with world-class customers and to building on our strong market position. By continuing to deliver value to customers and improving our organization, Orbit Garant will enhance its position as an industry leader and generate value for shareholders.

I will be stepping down as Chairman of the Board at the Annual Meeting of Shareholders on November 10th. It has been a great pleasure to work alongside the Board and Management team at Orbit Garant and I am grateful for their support and professionalism during this time. As I leave the role as Chairman, I am confident that Orbit Garant is well positioned for continued success and that shareholders are benefitting from an outstanding organization. It is an exciting road ahead and I look forward to the Company's promising future.

In closing, I would like to recognize my fellow directors for their continued support and counsel as we 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

Pierre Alexandre
CHIEF EXECUTIVE OFFICER

Eric Alexandre
PRESIDENT AND CHIEF OPERATING OFFICER

STRONG RESULTS, INDUSTRY LEADING PERFORMANCE

We are pleased to report to shareholders that Orbit Garant's fiscal 2010 was another year of consistent revenue growth, achieved despite a challenging operating environment. Although the economic recovery is fragile, the environment is gradually recovering and so too is the mineral drilling industry. As experienced operators, and in fact as drillers ourselves, we understand that in a cyclical business it is important not to be concerned with issues we cannot control, but focus on those factors that we can control.

Orbit Garant's commitment and focus on our long-term strategies has enabled the Company to have another year of strong financial results. In fiscal 2010, our revenues increased 4.6% to $110 million; EBITDA was steady at $27.9 million and net earnings were $12.6 million; fully diluted earnings per share were $0.38, even with last year.

In spite of pricing pressure that negatively affected our industry throughout the year, our competitive advantages – a top-tier customer base, low cost operations, vertical integration and a focus on specialized drilling services – enabled us to maintain stable margins and consistent revenue growth. In addition we were also successful in adding new contracts and depth to our customer list.

Today, we have an expanding fleet of 155 drilling rigs operating in stable jurisdictions, with 90% of our business in Canada and the United States. Located in the prolific mining region of Val-d'Or, Québec, Orbit Garant maintains the largest market share in the Abitibi Region. Our head office location provides us with a significant low cost advantage, situated within a 6 hour driving radius of 80% of our revenue. This proximity to clients contributes significantly to our ability to minimize costs and provide our customers with superior service.

In September we announced the relocation of Orbit Garant's corporate headquarters, which involves the consolidation of our three business locations into one location. This new facility provides us with a significant increase in capacity and represents a critical stepping stone towards our continued growth as an organization. It enhances our ability to exercise more control over operations, allows us to continue to improve operational efficiencies, increases our manufacturing capacity and provides a better work environment for our employees.

The new facility will support a doubling of our size in terms of revenue. In addition to increased space for administration, maintenance services and inventory, Orbit Garant's wholly-owned manufacturing subsidiary, Soudure Royale, will have a production line that improves manufacturing lead times and decreases equipment and manufacturing costs. This move to consolidate our operations leverages our proximity to clients and thereby considerably increases our competitive advantage.

With 25 years of operating experience, Orbit Garant has developed the operational expertise and strong reputation that are important to our customers. We have taken advantage of this position to develop a leading client roster, comprised primarily of senior and well-financed intermediate and junior customers. These relationships served us well throughout the economic and industry downturns. Budgets of senior companies were not as dramatically affected as were those of the junior segment, which felt the brunt of the recession and significantly cut spending in 2009.

In 2010, the economy began to recover and access to capital markets started to improve. As companies improved their liquidity and gained confidence, drilling demand began to improve across the industry. At Orbit Garant, we continued to build upon our existing relationships and to focus on adding additional, well-financed companies to our customer list. At the same time, we looked to expand our geographic footprint into new, stable mining regions.

In 2010 we also worked hard to strengthen our manufacturing division. Soudure Royale provides us with the ability to manufacture drills and consumable supplies for our own use or for sale to third parties. This in-house manufacturing capability was one of the factors that attributed to our success in winning a number of new contracts this year, in the face of competitive markets and a tough pricing environment. Our vertically integrated business structure enables us to build new drills specific to our customers' needs in a short time frame, at significantly less cost. After a year of minimal demand in 2009, a decline in drill availability this year has proven positive for us and Soudure Royale is again actively manufacturing drills under new contracts.

As Canada's largest underground driller, we have a focus on value-added specialized drilling services. In addition to surface drilling, Orbit Garant is able to offer services that many traditional companies are unable to provide, including complex underground projects, large diameter holes, deeper holes and heli-portable drilling. Our strong market position in specialized drilling, coupled with a significant position in surface exploration drilling, enable us to provide a comprehensive service offering to our customers, an advantage that has contributed meaningfully to the Company's successful year. And, we're investing in R&D, with a view to finding new ways to leverage this advantage through improved technology and productivity.

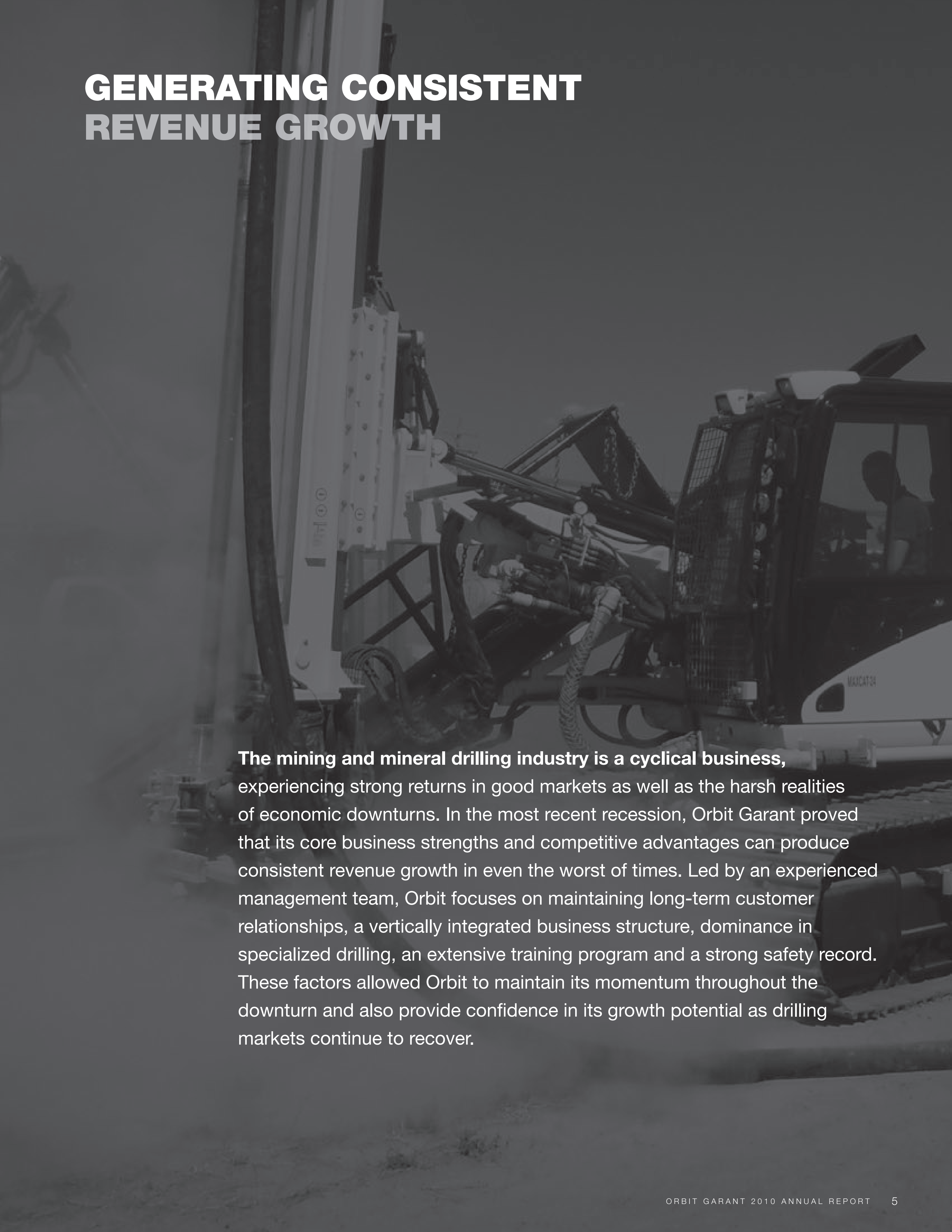
As we continue to expand our customer base and broaden our geographic footprint, we are conscious of doing so in a manner that reflects our competitive advantages. For example, we are confident that our low cost advantage gained through proximity to clients is a model that can be duplicated in other regions. We are looking for opportunities where we can achieve business scale similar to our position in the Abitibi Region. In this regard, we continue to seek accretive acquisitions that meet our criteria of adding new customers and new contracts. We are searching for reputable companies with strong and solid client lists that operate in stable geographic regions.

With a dominant presence in strong markets and a proven business strategy, we are delighted with our success this year and we are well positioned as economic conditions continue to 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



GENERATING CONSISTENT REVENUE GROWTH

The mining and mineral drilling industry is a cyclical business, experiencing strong returns in good markets as well as the harsh realities of economic downturns. In the most recent recession, Orbit Garant proved that its core business strengths and competitive advantages can produce consistent revenue growth in even the worst of times. Led by an experienced management team, Orbit focuses on maintaining long-term customer relationships, a vertically integrated business structure, dominance in specialized drilling, an extensive training program and a strong safety record. These factors allowed Orbit to maintain its momentum throughout the downturn and also provide confidence in its growth potential as drilling markets continue to recover.

OUR STRATEGY... OUR STRENGTH

EXPERT OPERATIONAL MANAGEMENT

Over 25 years of hands-on experience

Orbit Garant is managed by an executive team with a depth of experience that helps to ensure the Company maintains strong and consistent revenue, in any economic climate. The management team's wide-ranging industry knowledge and extensive practical drilling experience provides the Orbit team with a comprehensive understanding of the business; from the machines they operate and the technology that drives them to the labour required to get the job done right.

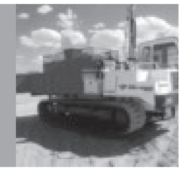
Orbit Garant's senior management have been operating in the mineral drilling industry for over three decades. This experience provides the Company with invaluable expertise and knowledge of the industry that enables them to maintain strong revenues and growth, in any given operating climate. Today, the Company has an expanding labour force of over 600 well trained employees. The combination of its strong and expanding staff and its legacy of operating experience gives the Company insight into the difficult operating environments; industry understanding that benefits them as operators, motivates them in their commitment to employees and helps them support the R&D department with knowledge and expertise in developing new technologies. Through their experience, Orbit's management is able to constantly improve efficiencies, maintain operational consistency and implement effective quality controls. This ultimately allows the Company to offer superior service to its customers, which in turn contributes to consistent revenue and industry leadership.

REPUTATION IS PARAMOUNT

Focused on long-term relationships with established customers

Orbit Garant's philosophy of focusing on long-term relationships with top-tier customers has also been a major contributor to its consistent revenue generation, despite the recent challenging market conditions. The Company's management team has been working closely with mining clients for over 25 years; ensuring customers are receiving industry leading service. Approximately 65% of Orbit Garant's revenue is generated through strong relationships with major producers and intermediate companies, contracts that tend to be longer term contracts that last from 1-3 years and provide the Company with revenue stability and growth. In addition, Orbit works alongside well-financed junior companies, customers that are focused on exploration and expanding their current resources. As the market continues to gradually recover and access to capital improves, exploration budgets will continue to increase into 2011, a positive for Orbit's well financed junior customer base and activity from the junior segment. The Company's focus on a strong client mix has provided Orbit with consistent earnings growth and stability, even in the bottom of the business cycle.

VERTICAL INTEGRATION



Cost savings trickling down to customers

Orbit Garant's operations are vertically integrated; a unique business structure that has proven to be an extremely effective competitive advantage that supports the Company's strong, consistent revenue and growth. Through its wholly-owned subsidiary, Soudure Royale, Orbit has the capability to manufacture drills and support equipment to fit the unique needs of customers and to sell drills to third parties for attractive margins and provide the Company with R&D capabilities that work to further enhance drilling technology, methods and performance. Of course, during the economic downturn, demand for new drills was minimal. During that period, Soudure Royale was used to improve Orbit's existing fleet and perform maintenance services, which served to improve operating efficiencies and helped support the Company's margins in a period of pricing pressure. As the economy gradually recovers, demand for drills and equipment will continue to improve and Soudure Royale's manufacturing capabilities and R&D efforts will provide significant upside to Orbit Garant's efficiencies, productivity and profit. In the Company's new facility, Soudure Royale, is being equipped with a new production line that will generate additional efficiencies and cost effectiveness, further improving manufacturing lead times and decreasing equipment and manufacturing costs. These cost savings will enable Orbit to sustain extremely competitive pricing that in turn helps retain existing customers, win new contracts from competitors and attract new customers, all contributing to the Company's consistent revenue and long-term growth.

SPECIALIZED SERVICE

The source of surface, underground & specialized drilling

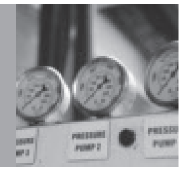
Another strength that allows Orbit to maintain consistent revenue is the Company's comprehensive service offering. As Canada's leading comprehensive drilling services provider, Orbit Garant provides an extensive range of drilling services to its clients, including wide-ranging conventional drilling services, underground and higher margin specialized drilling services. The Company's specialized services, including complex underground projects, larger diameter holes, deeper holes and heli-portable drilling, offer Orbit significant competitive strength and enable them to provide an entire suite of service, specific to customer needs. Orbit Garant has grown to become the largest underground drilling company in Canada and is completely devoted to increasing market share in all areas of drilling services, a commitment that has underwritten the Company's consistently strong revenue and sustained growth, domestically and abroad.

DRILLER TRAINING

Education ensuring labour availability

The Company's heavy focus on training and its commitment to employing industry leading drillers is another element that has enabled Orbit Garant to maintain consistent and strong returns. In the mineral drilling industry, operational efficiency is directly correlated to the quality of its labour force and productivity of its drillers. In efforts to continuously improve labour efficiency and ensure a continuous qualified labour supply, Orbit has designed a training program to specifically meet the Company's high quality standards that includes 900 hours of practice and theory and approximately 700 hours on-site training. In addition to this 1600-hour training program, Orbit also offers continuing education programs.

SUCCESS THROUGH SAFETY



Superior workplace safety record

Orbit Garant understands the importance of workplace safety in the mineral drilling industry and its commitment to the well-being and safety of their personnel aids in maintaining consistent revenue and earnings growth. As one of the Company's fundamental values, Orbit considers workplace safety to be top priority and believes it is vital to ensure employees are provided a safe work environment, as well as ensuring that our valued customers are afforded assurance that their projects are in safe hands.

Orbit Garant is continuously looking for ways to improve preventative measures through training programs. The Company's Workplace Health and Safety Department has all the resources required to disseminate critical safety information efficiently and to monitor and improve compliance with policies throughout the organization. As a result of the Company's dedication and combined efforts of the Health and Safety department and the employees in the field, Orbit was honoured by the MASHA (Mines and Aggregates Safety and Health Association) for industry-leading performance in the prevention of workplace incidents across the mining industry. Our clients recognize our commitment to safety which contributes importantly to their decision to give us business, especially in difficult operating environments.

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. This discussion contains forward-looking statements. Please see "Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions relating to these statements.

This MD&A should be read in conjunction with the audited consolidated financial statements of Orbit Garant Drilling Inc. as of June 30, 2010 and the notes thereto included elsewhere in this report, which are prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). All annual figures in this discussion and analysis are in Canadian currency unless otherwise noted and refer to the fiscal year which ended on June 30, 2010.

In this MD&A, references to the "Company" or to "Orbit Garant" shall mean, as the context may require, either Orbit Garant Drilling Inc. or Orbit Garant Drilling Inc. together with its wholly owned partnership, Orbit Garant Drilling, a general partnership and its wholly owned subsidiaries; 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 +).

This MD&A is dated September 21, 2010. Disclosure contained in this document is current to that date unless otherwise stated.

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 except in accordance with applicable securities laws. Risks that could cause the Company's actual results to materially differ from its current expectations are discussed in this MD&A.

CORPORATE OVERVIEW

Orbit Garant provides underground and surface drilling services to the mining industry in Canada and internationally. The Company manages, from its main office in Val-d'Or, Québec, an expanding fleet of 155 drill rigs, up from 136 rigs in fiscal 2009. Orbit has a low cost infrastructure and is vertically integrated through its subsidiary Soudure Royale, manufacturing drill rigs for the Company and third parties providing a strong 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 revenues.

The Company provides both surface and underground drilling services, which account for approximately 58% and 42% of the Company's revenues respectively.

Approximately 77% of the Company's revenues are generated by gold related operations, while approximately 23% are generated by base metal related and other operations.

Orbit Garant operates in stable jurisdictions, with approximately 90% of the Company's revenues generated in Canada. The Company also operates in the USA, Mexico and Guyana.

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

BUSINESS STRATEGY

The Company's goal is to be one of the largest Canadian-based drilling companies, providing both underground and surface drilling for all stages of the minerals business including 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 economic recovery has been apparent in commodity markets throughout calendar 2010, as prices have been continuing a gradual upward trend from the latter half of calendar 2009. The improvements in commodity prices were driven by a number of factors, including industrial demand in China, where the economy was particularly strong early in the year.

Despite the strong growth in the first half of the year, the global economy is subject to a degree of volatility and uncertainty. The world debt crisis has contributed to that fragile state.

Given the unstable global financial and economic environment, particularly in Europe, the swift pace of recovery in the first half of 2010 calendar is not expected to be sustainable. In addition to the troubles in Europe, the strength in Chinese demand in the first part of the year was largely attributable to inventory restocking, rather than actual consumption. This is resulting in a modest pullback in commodity pricing, though prices are eventually expected to resume a gradual upward climb into calendar 2011.

In the long term, economic recovery, though uncertain, remains on course and improvement is expected to continue, which bodes well for gold and base metal commodity prices. The sustained uncertainty and economic unease continues to support gold prices in the near term and the gradual and steady pace of the recovery favours both gold and base metal prices going forward.

Gold

As a safe-haven against uncertainty, there are a number of significant macro factors reinforcing investment demand for gold: the concern about a double dip recession, risk of sovereign debt defaults and the sheer size of monetary stimulus that remains to be injected. If concern about U.S. monetary policy and quantitative easing continues, the sentiment for gold will remain positive and prices will remain strong.

In addition to the investment demand for gold, supply side fundamentals also remain positive. Central banks are no longer viewed as net sellers as many central banks such as China, India, and Russia have been buying gold as a hedge against uncertainty. Although mine supply may continue to grow modestly over the next few years, sustaining production growth in the long term could be a challenge which will contribute to sustainable positive gold market fundamentals.

Base metals

After a rebound in late calendar 2009 and early 2010, base metal prices experienced a modest reduction in the latter half of the year. Following an uptick in the second quarter, prices began to consolidate gains made over the last year, slowed by concerns about sovereign credit risk in the euro zone and the uncertain impact of monetary tightening in China. China has accounted for much of the increase in demand in base metals over the past few quarters, but as inventories remain elevated, many expect that prices have gotten ahead of fundamentals, elevated in part due to a rise in short-term investor interest.

In the near term, with base metal markets' excess supply positions, the slowdown in Chinese economic growth and the ongoing demand challenges, there are a number of factors that could impede the pace of base metal price increases. It is expected that the slowdown in price increases will persist for the next few months before re-stocking activity picks up in Asia and overall global demand becomes more robust.

Today, base metal prices are still well above the bottom levels experienced in the recession and demand for base metals is expected to rise in response to robust growth in the developing world. China is expected to remain the primary source of demand growth into calendar 2011, and most believe that economic recovery in China is sustainable, which will prove positive for longer-term metal prices.

On the supply side, the profiles for base metals tend to be volatile and mining output can easily be hampered by inclement weather, energy shortages, union activity and difficult regulatory environments. As demand increases from the developing nations, supply constraints could result in rising prices. All factors considered, long-term fundamentals remain positive and prices are expected to continue their upward trend from the low prices experienced during the recent economic turmoil.

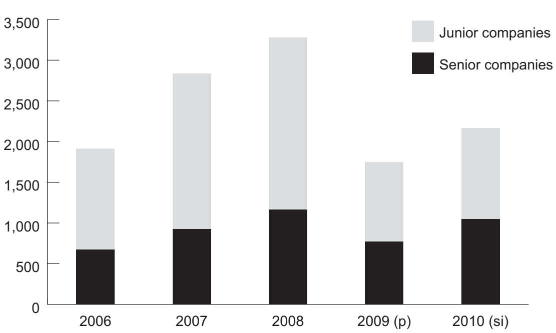
Market participants

Metal prices are the primary driver of exploration spending and, as most prices have improved steadily since bottoming in early calendar 2009, exploration activity has also recovered. Intermediate and junior companies substantially increased their exploration budgets in 2010, which resulted in a healthy increase in worldwide exploration allocations over the course of the year.

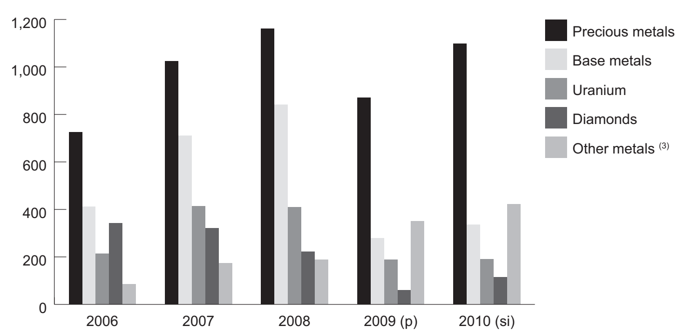
Early in 2010, Natural Resource Canada (NRC) anticipated an increase in exploration spending in Canada of approximately 24%, bringing the estimated 2010 total to $2.2 billion. The increase suggests that domestic exploration may be poised to embark on another stretch of strong activity. NRC estimates that senior companies in Canada, which usually operate the more substantial projects, will account for 67% of the predicted $414 million increase in spending in 2010, contributing almost $1 billion of exploration and deposit appraisal expenditures.

As senior company spending continued to increase throughout the year, junior and intermediate companies raised significant equity capital for exploration, evenly split between gold and base metals segments. Despite weakening base metal prices in the second half of calendar 2010, interest in the equity markets continued to show signs of strength. The increases in equity financings and increased budgets are expected to continue to support demand across the mineral drilling sector.

Exploration and Deposit Appraisal Expenditures (1) by Type of Company and Number of Project Operators, 2006–2010
($ millions)



Exploration and Deposit Appraisal Expenditures (1) by Mineral Commodity, 2006–2010 (2)
($ millions)



Source: Natural Resources Canada (NRCan) from the federal-provincial/territorial Survey of Mineral Exploration, Deposit Appraisal and Mine Complex Development Expenditures. (p) Preliminary estimates; (si) Spending intentions. (1) Includes field work, overhead, engineering, economic and pre- or production feasibility studies, environment, and land access costs for on-mine-site and off-mine-site activities. (2) The commodity breakdown for 2010 spending intentions was estimated based on 2009 preliminary reports. (3) Includes coal, iron, other metals, and nonmetals. Notes: Company budgets for 2010 expenditures had not been finalized at the time of the survey. Data were collected from October 2009 to mid-February 2010.

In July, Metals Economics Group (MEG) reported that the number of significant drill results reported in the months of May and June increased 26% from the previous two months, and nearly doubled from the same period the previous year. Gold-focused results continue to far outpace base metals announcements, a trend that has been consistent throughout calendar 2010. The sharp rise in the number of gold financings has resulted in a significant increase in gold exploration spending in the year, while weaker base metal prices in the second half of calendar 2010 have kept base metals activity relatively level. However, given the recent strength of equity financings for junior and intermediate base metals companies, base metal exploration activity is expected to increase in the coming months.

As exploration spending increased significantly in calendar 2010, Orbit Garant observed an increase in demand for drills and the Company's management expects that industry-wide existing drill availability will continue to decrease into 2011. As drill availability decreases, Orbit's ability to manufacture drills in short turnaround times to meet specific customer needs will serve the Company well. Another outcome of the increase in exploration activity, labour availability, is also expected to be affected. In order to mitigate the potential shortage of drillers, Orbit Garant continues to train drillers through its training program. Overall, as mineral and mining spending continues to increase and the economy continues to recover, Orbit Garant's integrated approach is expected to enable the Company to continue to produce strong results, further its growth and expand its operational footprint.

Perspectives

Looking forward, it is expected that gold and precious metals will remain the most attractive commodity group as macroeconomic risks overhang the global economy, affecting the base metal sector prices. Central banks have added massive monetary stimulus to the system that ultimately could prove inflationary, which also bodes well for gold. At the same time, as the world economy remains a concern, many investors will continue to look to gold as a safe haven.

Base metals are not expected to perform as strongly in the near term, as Chinese demand growth continues to ease. Although the upward movement in base metal pricing has slowed down, base metal prices are expected to remain close to current levels into early 2011, before gradually pushing higher in the medium and longer term. Chinese companies have been investing heavily in base metals projects in the last year, and with the robust growth in the developing world, coupled with volatile on-stream supply, base metals demand is expected to outweigh supply going forward, supporting higher prices.

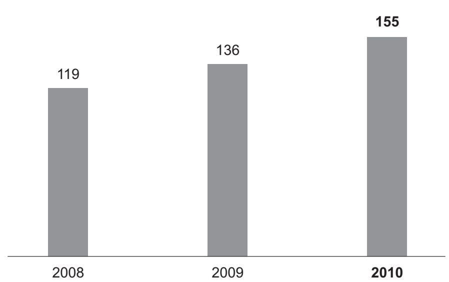
OVERALL PERFORMANCE

In the twelve-months ended June 30, 2010, Orbit Garant reported record gross revenue and a record level of metres drilled.

	12 months June 30, 2010	12 months June 30, 2009	Increase $	Increase %
Revenues (in millions)	**$ 110.0**	$ 105.2	$ 4.8	4.6
Net earnings (in millions)	**$ 12.6**	$ 12.6	—	—
Net earnings per Common Share				
– Basic	**$ 0.38**	$ 0.39	$ (0.01)	(2.6)
– Diluted	**$ 0.38**	$ 0.38	—	—
Meters drilled	**1,298,124**	1,109,332	188,792	17.0

The increase of the overall performance is attributable to new specialized drilling contracts.

Number of Drills



During fiscal 2010, the Company added a total of 19 drilling rigs from which Soudure Royale, the manufacturing division, supplied 18 new drilling rigs.

SELECTED ANNUAL FINANCIAL INFORMATION

For the year ended June 30 * In million ($)	**2010 Fiscal 12 months**	2009 Fiscal 12 months	2008 Fiscal 12 months
Contract revenue			
Drilling Canada*			
– Surface*	**52.6**	54.9	24.3
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Drilling international – surface*	**10.2**	3.8	8.4
Manufacturing Canada*	**0.6**	0.7	6.0
Total*	**110.0**	105.2	82.1
Gross profit*	**33.6**	36.1	28.8
Gross profit %	**30.6**	34.3	35.1
Net earnings*	**12.6**	12.6	9.4
Net earnings per Common Share ($)	**0.38**	0.39	0.38
Net earnings per Common Share diluted ($)	**0.38**	0.38	0.37
Total assets*	**108.5**	102.9	94.5
Long-term debt*	**0.2**	10.7	5.8
Dividend in cash*	**—**	—	0.1
Total metres drilled (million)	**1.3**	1.1	0.9
EBITDA*	**27.9**	28.0	22.7
EBITDA %*	**25.4**	26.6	27.7

* See supplemental disclosure

RESULTS OF OPERATIONS

Fiscal 2010 compared to fiscal 2009

Contract revenue

During the fiscal year ended June 30, 2010, the Company recorded contract revenue of $110.0 million, as compared to $105.2 million in fiscal 2009, representing an increase of 4.6%. The increase is attributable to new international drilling contracts and the deployment of 19 new drilling rigs.

Domestic surface drilling contract revenue decreased to $52.6 million in fiscal 2010 as compared to $54.9 million in fiscal 2009, representing a decrease of 4.2%. The decrease is attributable to a more competitive pricing environment.

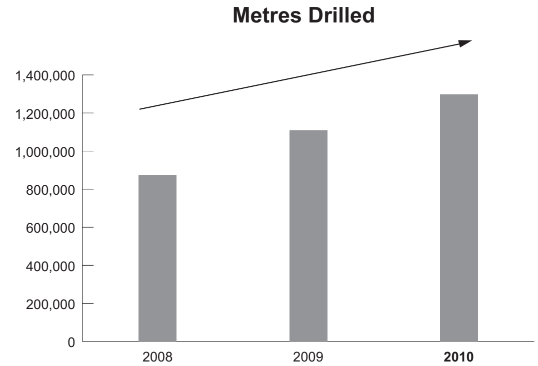
Underground drilling contract revenue increased to $46.6 million in fiscal 2010 as compared to $45.8 million in fiscal 2009, representing an increase of 1.6% due to additional metres drilled for the period.

The Company increased its total metres drilled by 17%, to almost 1.3 million metres during the fiscal year, despite the fact that exploration programs were substantially reduced due to prevailing economic conditions.

International drilling revenue was 10.2 million in fiscal 2010 compared to 3.8 million in fiscal 2009 for an increase of 170.5%.

Manufacturing Canada generated negligible revenue for fiscal year 2010 and fiscal year 2009. During the last quarter of 2010, the Company sold 2 new drill rigs to third parties. Soudure Royale continued to build equipment and supplies for the Company to support organic growth and its production capacity.

Despite the challenging operating environment, the Company generated a gross margin of 30.6% for fiscal year 2010 compared to 34.3% for fiscal year 2009, the decline a result of a more competitive pricing environment. Much of the resulting downward pressure on gross margin was offset by the Company's focus and success in increasing productivity and operating efficiency.



General and administrative expenses

General and administrative expenses were $6.6 million for fiscal year 2010 compared to $8.0 million for the comparable period in 2009. During fiscal 2010, no provision for bad debt was taken compared to $1.6 million for the prior year.

Administration expenses represented 6% of sales during fiscal 2010 compared to 7.6% for the same period the prior year.

EBITDA (see supplemental disclosure)

EBITDA was $27.9 million for fiscal year 2010, compared to $28.0 million in fiscal 2009. EBITDA for fiscal 2010 represents 25.4% of sales, compared to 26.6% for fiscal 2009.

Financial expenses

During fiscal year 2010, the Company repaid the long term debt from its Financing Facilities[1]. The long term debt was reduced from $10.7 million in fiscal year 2009 to $0.4 million in the same period in 2010.

[1]Comparison of Use of Proceeds from Financing Facilities

Facility	Intended use, as disclosed previously	Actual use
Revolving, reducing $3.6 million 4-year Capital Expenditure Facility maturing no later than June 2012	Finance up to 80% of the Company's capital expenditures (as that term is defined in the Credit Agreement)	At the end of fiscal 2010, this facility was not used.
Revolving, reducing $14.3 million 4-year Term Facility maturing no later than June 2012	Refinance the outstanding balance under the previous Credit Agreement and make future acquisitions	At the end of fiscal 2010, this facility was not used.

Amortization

Amortization of property, plant and equipment increased from $4.4 million in fiscal 2009 to $5.5 million during fiscal 2010. The increase is a result of the acquisition of new drilling rigs and equipment.

Amortization of intangible assets decreased from $4.3 million in fiscal 2009 to $3.9 million in fiscal 2010, as some intangible assets were fully amortized.

Net earnings

Net earnings for fiscal 2010 totaled $12.6 million or $0.38 per Common Share ($0.38 per share diluted), compared to $12.6 million for fiscal 2009 or $0.39 per Common Share ($0.38 per share diluted).

SUMMARY ANALYSIS OF FISCAL 2009 COMPARED TO FISCAL 2008

Revenue for the fiscal year ended June 30, 2009 was $105.2 million compared to $82.1 million for fiscal 2008, representing an increase of 28.1%.

During fiscal 2008 Orbit Garant acquired 9129-5642 Québec Inc. ("Forage +") a Canadian diamond drilling company supplied with 7 drilling rigs and Soudure Royale, the manufacturing division supplied 10 new drilling rigs. A total of 17 drilling rigs were added to the fleet.

Gross margins for fiscal 2009 were 34.3%, compared to 35.1% for fiscal 2008. Total gross profit during fiscal 2009 was $36.1 million, compared to $28.8 million for fiscal 2008, representing an increase of 25.3%. The increase in gross profit is a result of:

- Increased activity in drilling Canada
- Decreased activity in international drilling and manufacturing division which brings higher gross margin
- Success of the Company to increase productivity and operating efficiency

Net earnings for fiscal 2009 totaled $12.6 million or an increase of 34.0% compared to $9.4 million during fiscal 2008. The increase relates primarily to the business acquisition and the addition of new drilling rigs.

The net earnings generate earnings per share of $0.39 (or $0.38 per share diluted) for fiscal 2009 compared to $0.38 per share (or $0.37 per share diluted) for fiscal 2008.

SUMMARY OF QUARTERLY RESULTS

	Fiscal 2010				Fiscal 2009			
*Million	June 30 2010	Mar. 31 2010	Dec. 31 2009	Sept. 30 2009	Jun. 30 2009	Mar. 31 2009	Dec. 31 2008	Sept. 30 2008
Contract revenue* ($)	**33.1**	**28.8**	**23.7**	**24.4**	28.3	27.7	26.1	23.1
Gross profit* ($)	**9.1**	**8.9**	**7.6**	**8.0**	10.7	9.2	8.6	7.5
Gross margin %	**27.6**	**31.0**	**32.0**	**32.8**	37.9	33.2	33.1	32.5
Net earnings* ($)	**4.0**	**3.7**	**2.4**	**2.5**	3.6	3.2	3.2	2.6
EBITDA*[(1)] ($)	**7.8**	**7.9**	**6.0**	**6.2**	7.8	7.3	6.9	6.0
Net earnings per Common Share ($)								
– Basic	**0.12**	**0.11**	**0.07**	**0.08**	0.11	0.10	0.10	0.08
– Diluted	**0.12**	**0.11**	**0.07**	**0.08**	0.10	0.10	0.10	0.08

(1) EBITDA = Earnings before interest, taxes, depreciation and amortization (see supplemental disclosure).

Revenue per metre drilled decreased as a direct result of a more competitive pricing environment. In this challenging market, Orbit Garant increased the number of metres drilled in the period, offsetting the price decrease and maintaining revenue growth while reducing the impact on the gross margin.

SEASONALITY

The revenue of the Company shows some seasonal trends. 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.

ANALYSIS OF THE FOURTH QUARTER OF FISCAL 2010

Contract revenue

During the fourth quarter ("Q4") of the fiscal year ended June 30, 2010, revenues were $33.1 million, which represents an increase of $4.8 million or 17.1% compared to the quarter ended June 30, 2009, attributable to an increase in the number of metres drilled from 296,778 in Q4 2009 to 378,687 in Q4 2010.

Underground drilling revenue increased to $11.6 million in Q4 of fiscal 2010, from $10.3 million in Q4 of fiscal 2009, representing an increase of 13%. This increase is due to a higher number of metres drilled.

Domestic surface drilling revenue was $16.8 million in Q4 of fiscal 2010, compared to $16.9 million in Q4 of fiscal 2009.

International drilling revenue was $4.1 million in Q4 of fiscal 2010 compared to $1.1 million in Q4 of fiscal 2009, an increase of 284%. This is a direct result of new contracts initiated during the year.

Revenue from the sale of drills to unrelated third parties by Soudure Royale was $0.6 million during Q4 fiscal 2010 compared to almost nil during the same quarter the previous year. Demand for new drills from third parties remains very low, but is showing signs of improvement. The manufacturing division continues to focus on building supplies and equipment for the Company.

Gross margin and profit

The gross margin for Q4 of fiscal 2010 was 27.6%, compared to 37.9% for the Q4 period of fiscal 2009. Total gross profit in Q4 of fiscal 2010 was $9.1 million compared to $10.7 million in Q4 of fiscal 2009, representing a decrease of 14.7 %. The decrease is attributable to prevailing pricing conditions and startup costs on new projects in the period.

Management believes that the revenue generated by actual contracts will maintain the same level of gross profit in the first half of its 2011 fiscal year and should improve as demand for drilling services will likely increase and prices improve.

General and administrative expenses

General and administrative expenses (“G&A”) were $1.5 million during Q4 of fiscal 2010, a decrease of $1.3 million over the comparable period of fiscal 2009. The Company recorded $1.1 million as bad debt expenses in Q4 of fiscal 2009. As a percent of sales, G&A was 4.5% during Q4 of fiscal 2010 and 9.9% during Q4 of fiscal 2009.

EBITDA (see supplemental disclosure)

EBITDA in Q4 of fiscal 2010 was $7.8 million, in line with Q4 of fiscal 2009.

Financial expenses

Interest on long term debt was negligible in both fiscal year 2010 and 2009.

Amortization

Amortization of Property, Plant and Equipment was $1.5 million for Q4 of fiscal 2010 compared to $1.4 million for Q4 of fiscal 2009.

In Q4 of fiscal 2010, amortization of intangible assets decreased to $0.6 million, compared to $1.1 million in Q4 of fiscal 2009 as some intangible assets were fully amortized.

Net earnings

Net earnings for Q4 of fiscal 2010 were $4.0 million or $0.12 per Common Share ($0.12 per Common Share diluted), compared to $3.6 million or $0.11 per Common Share ($0.10 per Common Share diluted) in Q4 of fiscal 2009. The statutory tax rate for the Company in Q4 of fiscal 2010 was 31.1%, as compared to 31.9% in Q4 of fiscal 2009.

Effect of exchange rate

Aside from the U.S. 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 U.S. dollars which were offset in part by revenue of approximately $1.4 million earned in U.S. dollars, related primarily to the surface reverse circulation drilling business carried on by Drift. In fiscal 2010, the net currency exposure totaled approximately $0.1 million. Accordingly, fluctuations in the U.S. dollar against the Canadian dollar did not have a significant impact on the financial results of the Company.

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

Cash flow from operations before non cash operating working capital items was $20.7 million for the fiscal year ended June 30, 2010, compared to $20.8 million for the fiscal year ended June 30, 2009.

Investing activities

Cash used in investing activities was $12.9 million for the fiscal year ended June 30, 2010, compared to $12.2 million for fiscal 2009. 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 Property, Plant and Equipment. This is compared to cash use of $14.0 million for the acquisition of Property, Plant and Equipment and cash entry of $1.1 million on disposition of a property for the fiscal year ended June 30, 2010.

Financing activities

The cash flow from financing activities shows a use of funds of $10.5 million for fiscal 2010. The Company completely repaid the long term debt from its financing facilities. In fiscal 2009, the cash flow from financing activities showed a use of funds of $0.4 million. During that year, the Company repaid a bank loan of $5.3 million, a portion of its long term debt of $0.8 million, and entered into an additional long term loan of $5.6 million to support the acquisition of Forage + and the acquisition of other capital assets.

As of June 30, 2010, the Company's working capital was $37.5 million compared to $40.2 million for the same period the previous year. The Company's working capital requirements are primarily to fund labor 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 primarily used to acquire drilling rigs and ground equipment. Acquisitions of Property, Plant and Equipment in fiscal 2010 were valued at $14.0 million, compared to $7.1 million in fiscal 2009.

Sources of financing

The Company's primary sources of liquidity are from operations and borrowings under its Second Amending Agreement between the Company and National Bank of Canada Inc. dated as of December 9, 2009 (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 long term revolving, reducing four year term loan facility of a maximum amount of $14,285,712 and a revolving, reducing four year term capital expenditure facility of a maximum amount of $3,600,000. Both facilities mature no later than June, 2012.

The Credit Agreement contains restrictive 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, 2010, the Company had future contractual obligations as follows:

	Total $	Less than 1 year $	2–3 years $	4–5 years $
Long-term debt	375,271	202,870	172,401	—
Client deposits	557,205	557,205	—	—
Purchase obligations	—	—	—	—
Other long-term obligations	—	—	—	—
Total	932,476	760,075	172,401	—

RELATED PARTY TRANSACTIONS

The Company is related to 2867-3820 Québec Inc. (which is owned by Mr. Pierre Alexandre, the CEO of the Company). The Company is also related to Signal Hill Equity Partners Management Inc. (which is managed by Mr. James C. Johnson, the Chairman of the board of directors of the Company).

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, 2010 $	June 30, 2009 $
Sales	**115,837**	94,962
Purchases	**1,981,718**	1,339,092
Rent*	**96,000**	108,534
General and administrative expenses**	**34,987**	—

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., $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 and has been recorded at net book value.

The Company is renting space in buildings owned by 2867-3820 Québec Inc. and, in fiscal 2010, used administrative services from Signal Hill Equity Partners Management Inc. Management believes that these transactions are consistent with the fair market value of such type of services.

As at June 30, 2010, accounts payable and accrued liabilities include a balance of $726,185 related to these transactions, compared to $376,273 as at June 30, 2009.

ADOPTION OF NEW ACCOUNTING STANDARDS

Goodwill and intangible assets

On July 1, 2009, the Company adopted Canadian Institute of Chartered Accountants (“CICA”) Section 3064, Goodwill and Intangible Assets, which replaced Section 3062, Goodwill and Other Intangible Assets. The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. In particular, the new standard sets out specific criteria for the recognition of intangible assets and clarifies the application of the concept of matching costs with revenues, so as to eliminate the practice of recognizing as assets items that do not meet the definition of an asset or satisfy the recognition criteria for an asset. The adoption of this section had no impact on the consolidated financial statements.

Financial instruments

The Company also adopted the changes made by CICA to Section 3862, Financial instruments – Disclosures, whereby an entity shall classify and disclose fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

Level 1: valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. Since cash is the only item in the balance valued at fair value, no other information is required.

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.

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 2010.

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

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued the following new Handbook sections: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests which replace Section 1581, Business Combinations and Section 1600, Consolidated Financial Statements. These new Sections will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2011. Early adoption is permitted to the extent the three new Sections are adopted simultaneously. Together, the new Sections establish standards for the accounting for a business combination, the preparation of consolidated financial statements and the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company does not expect that the adoption of these new Sections will have a material impact on its consolidated financial statements.

International Financial Reporting Standards

The Accounting Standards Board of Canada ("AcSB") will make the transition from Canadian GAAP for publicly accountable enterprises to International Financial Reporting Standards ("IFRS") over a transition period that will end effective January 1, 2011 with the adoption of IFRS. In October 2009, the AsSB reconfirmed that IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will convert to these new standards according to the timetable set with these new rules.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. The Company expects the transition to IFRS to impact financial reporting, business processes and information systems.

The Company has implemented a conversion plan aiming to apply IFRS starting June 2011.

This conversion plan includes the following processes:

1. Phase I – preliminary analysis
2. Phase II – implementation of a conversion plan
3. Phase III – impacts calculations encrypted conversion

1. Phase I – Preliminary analysis

– Work to be done

- The determination of the impact of the choices and obligations related to the IFRS 1, IFRS' *First adoption*, including those related to exemptions and exceptions to the retrospective application of IFRS as at July 1st 2010, but also to quantify of the effects of initial changes pursuant to IFRS 1 concerning the information to be supplied and 2010 financial statements;
- An identification, during a preliminary phase, of the main differences expected between the current GAAP of Canada and the IFRS concerning the accounting rules to adopt by the Company starting July 1st 2011;
- The evaluation of the impact of change in accounting frame of reference concerning:
  - Information technologies and information systems;
  - Internal control regarding the financial information;
  - Disclosure controls and procedures with third parties;
  - Required expertise regarding financial information;
  - Commercial activities, as well as items on which measures compliant with the GAAP may have an impact, such as small print clauses, cash requirements and compensation mechanisms.

– Progress

- The company has highlighted, on a qualitative basis, the main differences between Canadian GAAP accounting as applied by the Company and the IFRS that it will apply in the future;
- The Company will begin to quantify the highlighted differences and the choices that will be made during the financial year ending June 30, 2011.
- For organizational reasons, the Company decided to perform an assessment of the impacts of the controls and commercial activities during Phase II.

2. Phase II – Implementation of a conversion plan (on-going since February 2010)

This phase, started several weeks ago, consists of:

– Work to be done

- Development of content and training sessions on IFRS that would be applicable to the Company, for the Company's personnel in charge of drafting the financial statements, based on the findings the Company made in Phase I.
- The technical positions documentation, by our team responsible for the production of the financial statements and the validation by the Company's management, of the different accounting positions to be adopted by the Company, in IFRS 1 as well as other IFRS standards applicable to the Company, in order to quantify in a subsequent step (Phase III) the impact of the application of these standards.
- The assessment of the impact of changing the accounting frame of reference concerning:
  - Information technologies and information systems;
  - Internal control regarding the financial information;
  - Disclosure controls and procedures with third parties;
  - Required expertise regarding financial information;
  - Commercial activities, as well as items on which measures compliant with the GAAP may have an impact, such as small print clauses, cash requirements and compensation mechanisms.

– Progress

- **Expertise in financial reporting**
  IFRS training sessions, focussing on theoretical differences between Canadian GAAP and IFRS, were offered to all staff responsible for the production of the Company's future IFRS financial statements, as well as to certain members of the audit committee.
- **Accounting standards**
  The Company is currently in the process of documenting the different technical positions applicable as per IFRS, on a comparative basis with GAAP. Management had initially set as an objective, for the key issues, that this documentation be completed by June 30, 2010, to be able to start preparing:
  - Opening balance sheet as at July 1st, 2010;
  - 2010 financial information as per IFRS (including notes to the financial statements) in order to submit the quarterly and annual comparative information for the period 2010–2011.
  - Due to organizational issues and in order to finalize a deeper analysis of potential accounting differences between Canadian GAAP and IFRS, the analysis period of key IFRS impacting the Company's financial statements has been extended to the end of the second quarter of its fiscal year ending June 30, 2011.
- **Information technologies and data systems**
  The Company did not, at this time, identify any need for change on its systems, considering that the systems currently established allow for the production of financial information compliant with IFRS until September 30, 2011, first quarter for which the Company will produce interim financial statements as per the new accounting frame. If the Company was brought to change its opinion, this information would be included in the first management discussion and analysis concerning the period in which this modification necessity would arise.
- **Financial restrictive clauses and compensation standards**
  The Company is presently evaluating the consequences of the changeover to IFRS on these different elements and will produce additional information for readers of its financial statements when they are known.
- **Internal control on financial reporting and information disclosure controls and procedures**
  The Company, simultaneously to the documentation of its different accounting positions, evaluates the necessity to modify its internal control process and financial information disclosure. Any identification of a required modification is and will be subject to modification of these processes in order to comply with the correct application of the IFRS and ensure the effectiveness of the current controls.

IFRS 1 is a financial reporting standard that stipulates the requirements for an entity that is preparing IFRS compliant statements for the first time, and applies at the time of changeover. In order to ease their transition to IFRS, IFRS 1 provides new adopters for optional exemptions to the general rule of retrospective application of IFRS.

While the Company has not finalized decisions, it currently expects to elect the following exemptions to retrospective application:

- Business Combinations – The relevant standard (i.e. IFRS 3, Business Combinations) under IFRS may be applied retrospectively or prospectively on transition. The Company expects to elect not to restate acquisitions prior to the IFRS transitional date of July 1, 2010.
- Foreign Currency – The Company expects to reset the cumulative translation gains and losses to nil at transition (reverse against retained earnings) instead of computing the translation gain and loss amounts retrospectively under IFRS.
- Share-based payment – Under IFRS 1, a first-time adopter is encouraged, but not required, to apply IFRS 2, Share-based Payment to equity instruments that were granted on or before November 7, 2002. A first-time adopter is also encouraged, but not required, to apply IFRS 2 to equity instruments that were granted after November 7, 2002 and vested before the date of transition to IFRS, i.e. July 1, 2010. The Company has decided to use this exemption and will not therefore restate such grants. However, for equity instruments granted after November 7, 2002 and not vested as of July 1, 2010, the Company will be required to retrospectively apply IFRS 2 to such grants.

Quantified impacts of such elections have not yet been calculated by the Company but should not be material to the financial statements.

The Company will continue to monitor changes in IFRS throughout the duration of the implementation process and assess their impacts on the Company and its reporting.

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 21, 2010

	2010
Number of shares	**32,738,684**
Number of options	**1,973,000**
Fully diluted	**34,711,684**

During the second quarter of fiscal 2010 the Company issued 300,000 options at an exercise price of $4.00.

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, 2010. 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 continued 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 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 are anticipated to 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 will mature no later than June 2012. 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, 2010, 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 recently installed new 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.

Acquisitions

The Company is continuously seeking business acquisitions. It 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 could place 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. In addition, 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 Brasil, Russia, India and China ("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. The number and significance of the changes and the possibility that the Company may not be able to successfully implement the changes made may adversely affect the performance of the business and its financial condition, cash flows and growth prospects of the Company.

Currency exposure

The Company currently has approximately $1.4 million of U.S. 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.

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 issuers or the industries in which they operate. As a consequence, the trading price of the Common Shares may fluctuate.

The influence of existing shareholders

As at September 21, 2010, 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 9.5% and 32% of Orbit Garant's outstanding Common Shares. 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 9.5% 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 sell 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 will 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. 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, 2010, the amount of the insurance coverage from EDC represents approximately 53% of the accounts receivable.

As at June 30, 2010, 54.9% of the trade accounts receivable are aged as current and 5% of receivables are impaired.

One major customer represents 10% of the trade accounts receivable as at June 30, 2010 (for the period ended June 30, 2009, three major customers represented 43%, respectively by customer, 17%, 14% and 12%).

One major customer represents 10% of the contract revenue for the year ended June 30, 2010, (for the period ended June 30, 2009, three major customers represented 36% respectively by customer, 14%, 11% 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 ratings.

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

Interest rate risk

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

As at June 30, 2010 the Company has estimated that a one percentage point increase or decrease in interest rates would have no significant impact on earnings before income taxes.

Fair value

The fair value of cash, accounts receivable, 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 rates and has financing conditions similar to those currently available to the Company.

OUTLOOK

Although the industry experienced a significant decrease in demand for drilling service in the recent economic downturn, particularly in the junior exploration segment, the Company is noticing improvements as the market gradually recovers. Base metals prices have begun to rebound and exploration spending is showing signs of improvement.

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

Management anticipates that the demand for drilling services will increase if the price of gold remains stable and base metal prices continue to 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 board of directors has approved $15.3 million in Property, Plant and Equipment for the 2011 fiscal year which includes:

- 16 new drilling rigs;
- support equipment;
- the planning, remodeling and logistics of the relocation of the head office, thus consolidating the administration offices, most of the maintenance activities and Soudure Royale, the manufacturing division.

The drilling service market remains fragmented and the Company will continue to be disciplined in evaluating potential acquisitions that would be beneficial to its shareholders.

The Company has performed well during the uncertain and difficult market conditions of the past 18 months and Management believes it is now well positioned for the expected market growth in the coming years.

SUPPLEMENTAL DISCLOSURE

This MD&A contains references to EBITDA (earnings before interest, taxes, depreciation and amortization). Management believes that EBITDA is useful supplemental measures of operating performance prior to debt service, capital expenditures and income taxes. However, EBITDA is not recognized earnings measures under GAAP and do not have a standardized meaning prescribed by GAAP. Therefore, 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 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

The CEO and the CFO of the Company are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") for the Company as defined under Multilateral Instrument 52-109 issued by the Canadian Securities Administrators. The CEO and the CFO have designed such DC&P, or caused them to be designed under its supervision, to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure.

As at June 30, 2010, the CEO and the CFO evaluated the design and operation of the Company's DC&P. Based on that evaluation, the CEO and CFO concluded that the Company's DC&P was effective as at June 30, 2010.

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 2010, 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, 2010, 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. 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, 2010

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, 2010 and 2009 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, 2010 and 2009 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 20, 2010

Chartered accountant auditor permit n° 9138

CONSOLIDATED STATEMENT OF EARNINGS AND COMPREHENSIVE INCOME

Year ended	**June 30, 2010 $**	June 30, 2009 $
Contract revenue	**109,957,529**	105,162,812
Cost of contract revenue	**76,334,859**	69,079,130
Gross profit	**33,622,670**	36,083,682
Expenses		
General and administrative	**6,567,105**	7,969,915
Amortization of property, plant and equipment	**5,454,638**	4,387,429
Amortization of intangible assets	**3,934,778**	4,338,364
Foreign exchange losses (gain)	**13,626**	(74,636)
Gain on disposal of property, plant and equipment	**(460,412)**	—
Other-than-temporary impairment on long-term investments	**—**	303,687
Interest on long-term debt	**230,714**	344,122
Interest and bank charges	**89,411**	218,075
	15,829,860	17,486,956
Earnings before the following items	**17,792,810**	18,596,726
Share in net earnings of a company subject to significant influence	**404,365**	77,316
Earnings before income taxes	**18,197,175**	18,674,042
Income taxes (Note 14)		
Current	**6,959,157**	7,722,516
Future	**(1,349,182)**	(1,638,240)
	5,609,975	6,084,276
Net earnings	**12,587,200**	12,589,766
Other comprehensive income		
Unrealized losses on available-for-sale investments	**—**	(9,163)
Reclassification to earnings of other-than-temporary impairment on long-term investments	**—**	43,687
	—	34,524
Comprehensive income	**12,587,200**	12,624,290
Earnings per share (Note 13)		
Basic	**0.38**	0.39
Diluted	**0.38**	0.38

See accompanying notes.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS, ACCUMULATED OTHER COMPREHENSIVE LOSS AND CONTRIBUTED SURPLUS

Year ended	**June 30, 2010 $**	June 30, 2009 $
Statement of retained earnings		
Balance, beginning of year	**23,737,456**	11,147,690
Net earnings	**12,587,200**	12,589,766
Balance, end of year	**36,324,656**	23,737,456
Statement of accumulated other comprehensive loss		
Balance, beginning of year	**—**	(34,524)
Other comprehensive income	**—**	34,524
Balance, end of year	**—**	—
Statement of contributed surplus		
Balance, beginning of year	**899,336**	450,177
Stock-based compensation to employees and directors (Note 13)	**469,270**	449,159
Balance, end of year	**1,368,606**	899,336

See accompanying notes.

CONSOLIDATED BALANCE SHEET

	June 30, 2010 $	June 30, 2009 $
Assets		
Current assets		
Cash	**8,113,518**	10,557,766
Accounts receivable	**21,188,000**	22,682,833
Inventories	**22,708,282**	19,670,210
Income taxes receivable	**2,351,181**	—
Prepaid expenses	**460,516**	324,531
	54,821,497	53,235,340
Long-term investments (Note 7)	**886,321**	521,956
Property, plant and equipment (Note 8)	**31,680,726**	24,106,307
Goodwill	**19,697,965**	19,697,965
Intangible assets (Note 9)	**1,373,563**	5,308,342
	108,460,072	102,869,910
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**16,600,728**	10,641,645
Client deposits	**557,205**	348,250
Income taxes payable	**—**	1,910,453
Current portion of long-term debt (Note11)	**202,870**	88,800
	17,360,803	12,989,148
Long-term debt (Note 11)	**172,401**	10,661,182
Future income taxes (Note 14)	**1,335,445**	2,684,627
	18,868,649	26,334,957
Shareholders' equity		
Share capital (Note 13)	**51,898,161**	51,898,161
Contributed surplus	**1,368,606**	899,336
Retained earnings	**36,324,656**	23,737,456
	89,591,423	76,534,953
	108,460,072	102,869,910

See accompanying notes.

Approved by the board

Eric Alexandre
Director

Jean-Yves Laliberté
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended	**June 30, 2010 $**	June 30, 2009 $
Operating activities		
Net earnings	**12,587,200**	12,589,766
Items not affecting cash:		
Amortization of property, plant and equipment	**5,454,638**	4,387,429
Amortization of intangible assets	**3,934,778**	4,338,364
Loss (gain) on disposal of property, plant and equipment	**(96,376)**	339,437
Other-than-temporary impairment on long-term investments	**—**	303,687
Stock-based compensation	**469,270**	449,159
Amortization of financing costs	**69,948**	69,948
Future income taxes	**(1,349,182)**	(1,638,240)
Share in net earnings of a company subject to significant influence less dividends	**(364,365)**	(30,516)
	20,705,911	20,809,034
Changes in non-cash operating working capital items (Note 15)	**227,180**	(3,569,057)
	20,933,091	17,239,977
Investing activities		
Business acquisition (including bank overdraft of $726,760) (Note 2)	**—**	(5,377,949)
Proceed from sale of a long-term investment	**—**	48,000
Advances to a shareholder company	**—**	58,883
Acquisition of property, plant and equipment	**(13,996,029)**	(7,065,021)
Proceeds from disposal of property, plant and equipment	**1,063,349**	90,464
	(12,932,680)	(12,245,623)
Financing activities		
Change in bank loan	**—**	(5,290,000)
Proceeds from long-term debt	**342,364**	5,636,034
Repayment of long-term debt	**(10,787,023)**	(779,490)
	(10,444,659)	(433,456)
Increase (decrease) in cash and cash equivalents	**(2,444,248)**	4,560,898
Cash and cash equivalents, beginning of the year	**10,557,766**	5,996,868
Cash and cash equivalents, end of the year	**8,113,518**	10,557,766

Additional information (Note 15)

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. ADOPTION OF NEW ACCOUNTING STANDARDS

Goodwill and intangible assets

On July 1, 2009, the Company has adopted Canadian Institute of Chartered Accountants ("CICA") Section 3064, Goodwill and Intangible Assets, which replaced Section 3062, Goodwill and Other Intangible Assets. The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. In particular, the new standard sets out specific criteria for the recognition of intangible assets and clarifies the application of the concept of matching costs with revenues, so as to eliminate the practice of recognizing as assets items that do not meet the definition of an asset or satisfy the recognition criteria for an asset. The adoption of this section had no impact on the consolidated financial statements.

Financial instruments

The Company also adopted the changes made by CICA to Section 3862, Financial instruments – Disclosures whereby an entity shall classify and disclose fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

Level 1: valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. Since cash is the only item in the balance valued at fair value, no other information is required.

4. FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards

The Accounting Standards Board of Canada ("AcSB") will make the transition from Canadian GAAP for publicly accountable enterprises to International Financial Reporting Standards ("IFRS") over a transition period that will end effective January 1, 2011 with the adoption of IFRS. In October 2009, the AcSB reconfirmed that IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will convert to these new standards according to the timetable set with these new rules.

The Company is currently in the process of developing a conversion and implementation plan and assessing the impacts of the conversion on the consolidated financial statements and disclosures of the Company.

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued the following new Handbook sections: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests which replace Section 1581, Business Combinations and Section 1600, Consolidated Financial Statements. These new Sections will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2011. Early adoption is permitted to the extent the three new Sections are adopted simultaneously. Together, the new Sections establish standards for the accounting for a business combination, the preparation of consolidated financial statements and the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company does not expect that the adoption of these new Sections will have a material impact on its consolidated financial statements.

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

(a) On July 1, 2010, all the assets and liabilities of Orbit Garant Drilling, a General Partnership has been transferred in 4378792 Canada Inc. Furthermore, 4378792 Canada Inc. has changed its name for Orbit Garant Drilling Services Inc.

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	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. Net realizable value is the estimated selling price less the estimated cost necessary to make the sale. 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 in net earnings of from these companies is presented in the statement of earnings.

Property, plant and equipment

Property, plant and equipment are recorded 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 operations 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 and revenue from the sale of drilling rigs is recorded at shipping. The company recognizes revenue when persuasive evidence of an arrangement exists, service has been rendered, merchandise has been shipped, 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.

6. INVENTORY

The cost of inventory recognized as an expense and included in cost of contract revenue for the year ended June 30, 2010 was $23,323,606 (June 30, 2009, $22,733,622). 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.

7. LONG-TERM INVESTMENTS

	June 30, 2010 $	June 30, 2009 $
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	**838,321**	473,956
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**	48,000
	886,321	521,956

During the year ended June 30, 2009, the company accounted for an other-than-temporary impairment of $303,687 on investments in Explorateur-Innovations de Québec Inc. and Typhoon Exploration Inc. due to a prolonged decline in their fair value.

8. PROPERTY, PLANT AND EQUIPMENT

	Cost $	Accumulated amortization $	**Net book value June 30, 2010** **$**
Land	760,886	—	**760,886**
Parking	20,000	15,000	**5,000**
Buildings	2,808,006	144,415	**2,663,591**
Office equipment	223,943	115,905	**108,038**
Drilling equipment	32,422,152	11,122,528	**21,299,624**
Machinery and equipment	616,377	284,156	**332,221**
Computer equipment	967,496	467,314	**500,182**
Vehicles	8,519,359	2,750,607	**5,768,752**
Leasehold improvements	316,816	74,384	**242,432**
	46,655,035	14,974,309	**31,680,726**

	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

The gain on disposal of property plant and equipment totaling $96,376 consist of $460,412 presented as a gain separately in the statement of earning and a loss of $364,036 ($339,437 in 2009) included in cost of contract revenue.

9. INTANGIBLE ASSETS

	Cost $	Accumulated amortization $	**Net book value June 30, 2010** **$**
Intangible assets, limited life:			
Customer relationship	14,023,643	13,257,580	**766,063**
Non-compete agreement	2,110,000	1,502,500	**607,500**
	16,133,643	14,760,080	**1,373,563**

	Cost $	Accumulated amortization $	Net book value June 30, 2009 $
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

10. 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, 2010. 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, 2010, the prime rate was 2.50% (June 30, 2009, 2.25%).

Under the terms of the bank loan agreement, the company must satisfy certain restrictive covenants as to minimum financial ratios (see Note 12).

11. LONG-TERM DEBT

	June 30, 2010 **$**	June 30, 2009 $
Loan authorized for a maximum amount of $14,285,712, quarterly reduced 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)	**—**	7,242,590
Loan authorized for a maximum amount of $3,600,000, quarterly reduced 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
Loans, bearing interest at rates ranging from 0% to 1%, payable in monthly installments of $16,987, maturing in November 2012, secured by certain vehicles of a net book value $551,924	**375,271**	207,392
	375,271	10,749,982
Current portion	**(202,870)**	(88,800)
	172,401	10,661,182

(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%.

Under the terms of the long-term debt agreement, the company must satisfy certain restrictive covenants as to minimum financial ratios (see Note 12).

On June 30, 2010, the prime rate was 2.50% (June 30, 2009, 2.25%).

Principal payments required in each of the next three years are as follows:

	$
2011	202,870
2012	144,454
2013	27,947

12. 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, 2010 $	June 30, 2009 $
Long-term debt	**375,271**	10,749,982
Share capital	**51,898,161**	51,898,161
Contributed surplus	**1,368,606**	899,336
Retained earnings	**36,324,656**	23,737,456
Cash	**(8,113,518)**	(10,557,766)
	81,853,176	76,727,169

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.

13. 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, 2010		June 30, 2009	
	Number of shares	**$**	Number of shares	$
Balance, beginning of the year	**32,738,684**	**51,918,161**	32,281,542	50,942,617
Shares issued:				
For business acquisition (a)	**—**	**—**	457,142	975,544
	32,738,684	**51,918,161**	32,738,684	51,918,161
Share purchase financing (b)	**—**	**(20,000)**	—	(20,000)
Balance, end of the year	**32,738,684**	**51,898,161**	32,738,684	51,898,161

(a) 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).

(b) 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 13,333 Common Shares. 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%. As at June 30, 2010, the fair value of the securities is $45,998.

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, 2010 $	June 30, 2009 $
Earnings per share – basic		
Net earnings available to Common shareholders	**12,587,200**	12,589,766
Average basic number of Common Shares outstanding	**32,738,684**	32,610,935
Earnings per share – basic	**0.38**	0.39
Earnings per share – diluted		
Net earnings available to Common shareholders	**12,587,200**	12,589,766
Average basic number of Common Shares outstanding	**32,738,684**	32,610,935
Adjustment to average number of Common Shares Stock options	**709,830**	238,201
Average diluted number of Common Shares outstanding	**33,448,514**	32,849,136
Earnings per share – diluted	**0.38**	0.38

The calculation of the diluted earnings per share for the year ended June 30, 2010 excludes the effect of 925,000 options (625,000 in 2009) 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.

The vesting and expiry terms of the outstanding options were modified in June 2008 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 manage 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 at June 30, 2008 and June 30, 2009	1,673,000	2.13
Granted during the year	300,000	4.00
Outstanding as of June 30, 2010	1,973,000	2.42
Exercisable as at June 30, 2010	1,298,000	1.59

The following table summarized information on stock options outstanding at June 30, 2010.

Range of exercise prices $	Outstanding at June 30, 2010	Weighted average remaining life (years)	Weighted average exercise price $	Exercisable at June 30, 2010	Weighted average exercise price $
1.00–1.50	1,048,000	6.63	1.02	1,048,000	1.02
4.00	925,000	8.44	4.00	250,000	4.00
	1,973,000			1,298,000	

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 fair value calculations with weighted average assumptions:

	Granted in 2010
Risk-free interest rate	3.08%
Expected life (years)	7
Expected volatility	130%
Expected dividend yield	0%
Fair value of options granted	$3.69

During the year ended June 30, 2010, the total expense related to stock-based compensation to employees and directors amounting to $469,270 has been recorded and presented in general and administrative expenses ($449,159 for the year ended June 30, 2009).

14. INCOME TAXES

Income tax expense comprises the following:

	June 30, 2010 $	June 30, 2009 $
Current	**6,959,157**	7,722,516
Future	**(1,349,182)**	(1,638,240)
	5,609,975	6,084,276

Income tax expense differs from the amounts calculated by applying Canadian statutory rates (federal and provincial) of 31.06% (2009, 31.89%) to the earnings before income taxes as follows:

	June 30, 2010 $	June 30, 2009 $
Earnings before income taxes	**18,197,175**	18,674,042
Income taxes based on statutory rates	**5,652,043**	5,955,152
Increase (decrease) of income taxes due to the following:		
Non-deductible expenses	**38,786**	37,362
Non-deductible stock-based compensation expense	**145,755**	143,237
Non-taxable share in net earnings of a company subject to significant influence	**(125,596)**	(24,656)
Effect of corporate tax rate modification and prior year adjustments	**(55,323)**	(26,819)
Non-taxable portion of capital gain	**(45,690)**	—
Total income taxes	**5,609,975**	6,084,276

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, 2010 $	June 30, 2009 $
Future income tax assets:		
Share issue costs	**443,818**	737,897
Long-term investments	**13,350**	14,797
Total future income tax assets	**457,168**	752,694
Future income tax liabilities:		
Property, plant and equipment	**1,313,043**	1,823,380
Intangible assets	**479,570**	1,613,941
Total future income tax liabilities	**1,792,613**	3,437,321
Net future income tax liabilities	**1,335,445**	2,684,627

15. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

Changes in non-cash operating working capital items

	June 30, 2010 $	June 30, 2009 $
Accounts receivable	**1,494,833**	844,623
Inventories	**(3,038,072)**	(1,197,110)
Income taxes receivable	**(2,351,181)**	—
Prepaid expenses	**(135,985)**	(41,449)
Accounts payable and accrued liabilities	**5,959,083**	(1,882,378)
Client deposits	**208,955**	(1,380,079)
Income taxes payable	**(1,910,453)**	87,336
	227,180	(3,569,057)
Other information		
Interest paid	**320,125**	562,197
Income taxes paid	**11,220,791**	7,084,055

16. RELATED PARTY TRANSACTIONS

The company is related to 2867-3820 Québec Inc., a company owed by a director. The company is also related to Signal Hill Equity Partners Management Inc. which is managed by an another 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, 2010 $	June 30, 2009 $
Sales	**87,273**	94,962
Purchases	**1,981,718**	1,339,092
Rent	**107,764**	108,534
General and administrative expenses	**34,987**	—

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.

As at June 30, 2010, accounts payable and accrued liabilities include a balance of $726,185 (June 30, 2009, $376,273) 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, 2010, the company has cash in US dollars for an amount of $227,670 (June 30, 2009, $179,591) and accounts receivable in US dollars for an amount of $515,626 (June 30, 2009, $176,724).

As at June 30, 2010, 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 $23,200 (June 30, 2009, $16,700).

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, 2010, the amount of the insurance coverage from EDC represents approximately 53% of the accounts receivable (53% in 2009).

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, 2010, 54.9% (38.2% in 2009) of the trade accounts receivable are aged as current and 5% (8% in 2009) of receivables are impaired.

One major customer represents 10% of the trade accounts receivable as at June 30, 2010 (June 30, 2009, three major customers represent 43%, respectively by customer, 17%, 14% and 12%).

One major customer represents 10% of the contract revenue for the year ended June 30, 2010 (June 30, 2009, three major customers represent 36% respectively by customer, 14%, 11% 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, 2010 the company has estimated that a one percentage point increase or decrease in interest rate would have no significant impact on earnings before income taxes.

Fair value

The fair value of cash, accounts receivable, 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 10 and 11 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	557,205	557,205	—
Accounts payable and accrued charges	16,600,728	16,600,728	—
Long-term debt (capital only)	375,271	202,870	172,401
	17,533,204	17,360,803	172,401

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, 2010 $	June 30, 2009 $
Contract revenue		
Drilling Canada	**99,089,927**	100,685,504
Drilling International	**10,224,071**	3,779,951
Manufacturing Canada	**7,498,118**	6,750,621
Elimination – Manufacturing Canada	**(6,854,587)**	(6,053,264)
	109,957,529	105,162,812
Gross profit		
Drilling Canada	**28,661,043**	35,274,400
Drilling International	**4,635,840**	417,911
Manufacturing Canada	**325,787**	391,371
	33,622,670	36,083,682
Interest	**320,125**	562,197
General corporate expenses	**15,105,370**	16,847,443
Income taxes	**5,609,975**	6,084,276
	21,035,470	23,493,916
Net earnings	**12,587,200**	12,589,766
Identifiable assets		
Drilling and Manufacturing Canada	**100,764,064**	96,723,872
Drilling International	**7,696,008**	6,146,038
	108,460,072	102,869,910
Property, plant and equipment		
Drilling and Manufacturing Canada	**28,209,911**	21,938,502
Drilling International	**3,470,815**	2,167,805
	31,680,726	24,106,307
Amortization		
Drilling and Manufacturing Canada	**8,743,476**	8,241,220
Drilling International	**645,940**	484,573
	9,389,416	8,725,793

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

SHAREHOLDER INFORMATION

Head Office
190 des Distributeurs, C.P. 965
Val-d'Or, Québec
J9P 4P8
Tel: (866) 824-2707
Fax: (819) 824-1595

Transfer Agent and Registrar
CIBC Mellon Trust Company
P.O. Box 7010, Adelaide Street Postal Station
Toronto, ON
M5C 2W9
Tel: (800) 387-0825 or (416) 643-5500
Fax: (416) 643-5501

Stock Exchange Listing
Toronto Stock Exchange
Trading Symbol: OGD

Common Shares Outstanding
32,738,684 (as at June 30, 2010)

General Counsel
Goodmans LLP

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

Investor Relations
alain.laplante@orbitgarant.com

Website
www.orbitgarant.com

DESIGN AND EDITORIAL NARRATIVE: BRYAN MILLS IRADESSO WWW.BMIR.COM

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190 des Distributeurs, C.P. 965
Val-d'Or, Québec
J9P 4P8

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