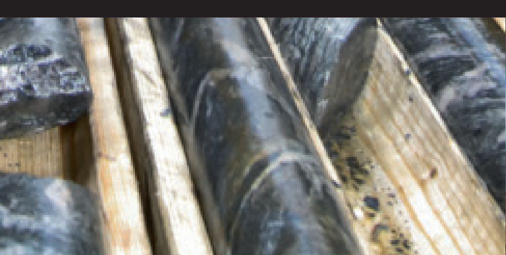
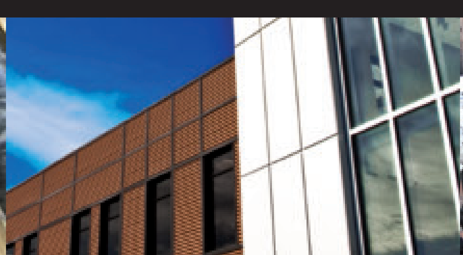
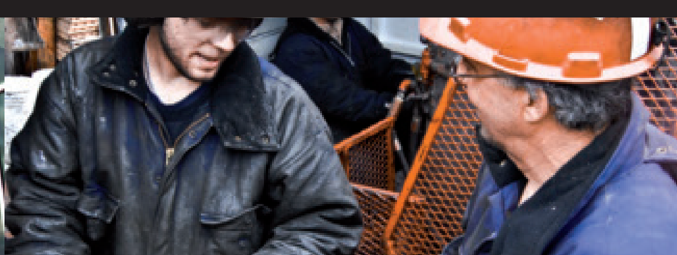
FORAGE
ORBIT GARANT
DRILLING

BUILDING ON OUR CORE STRENGTHS







ANNUAL REPORT 2011

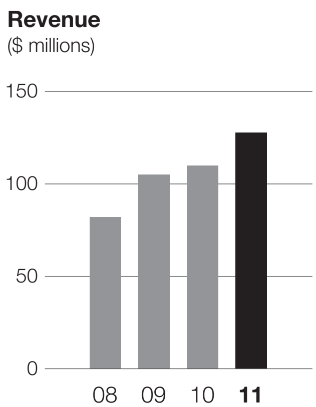
CORPORATE PROFILE

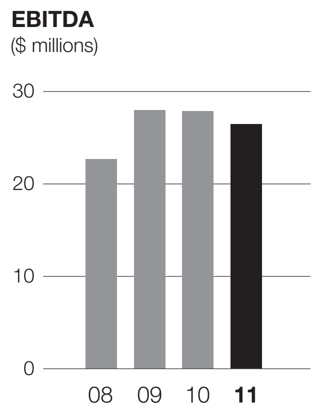
Based in Val-d'Or, Quebec, Orbit Garant Drilling Inc. (TSX: OGD) is one of the largest Canadian-based drilling companies, providing both underground and surface drilling services in Canada and internationally through its 180 drills and more than 900 employees. The Company provides drilling services to major, intermediate and well-financed junior mining companies, through each stage of mining exploration, development and production. Orbit Garant's manufacturing subsidiary, Soudure Royale, manufactures custom drill rigs, providing Orbit Garant with a guaranteed supply of high-quality, innovative rigs to address a broad range of specialized and conventional drilling requirements.

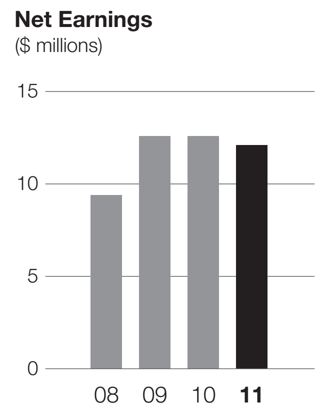
TABLE OF CONTENTS

Financial Highlights

Year ended June 30 * ($ millions)		Fiscal 2011	Fiscal 2010
Revenue*		**127.7**	110.0
Gross profit*		**35.3**	33.6
Gross margin (%)		**27.6**	30.6
EBITDA*		**26.5**	27.9
Net earnings*		**12.1**	12.6
Net earnings per common shares	– Basic	**0.37**	0.38
	– Diluted	**0.36**	0.38







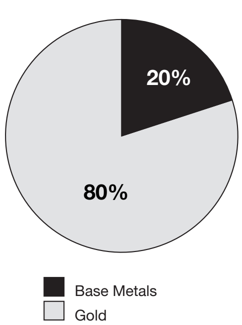
(Fiscal years ended June 30)

2011 Operating Highlights

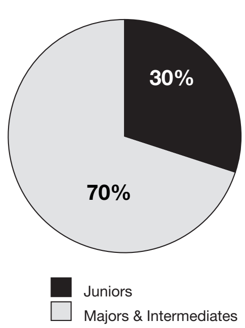
- Record meters drilled at 1.4 million meters
- Successfully completed acquisitions of Advantage Control Technologies and Morris Drilling Inc.
- Consolidated Val-d'Or head office and operations into a new facility
- Established new office in Sudbury, Ontario
- High enrolment in Orbit Garant driller training program
- Renewed major contracts with Agnico-Eagle Mines, Goldcorp., Newmont Mining, Osisko Mining, and Xstrata

Business Mix (at June 30, 2011)

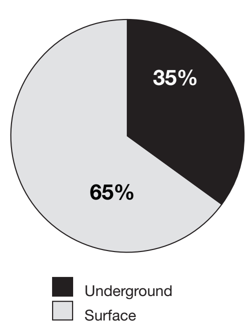
Commodities



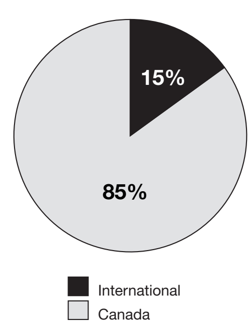
Customers



Drilling



Regions



Chairman's message

Guthrie J. Stewart
CHAIRMAN OF THE BOARD

Dear fellow shareholders:
On behalf of the Board of Directors, I am pleased to present Orbit Garant's fiscal 2011 Annual Report. Over the past year, we saw a significant strengthening in market demand for drilling services, as customers continued to increase spending on exploration and mine development drilling programs following the market downturn in 2009. These robust market conditions led to improved pricing, high drill utilization rates and record revenue for Orbit Garant.

Aside from these positive industry fundamentals and our strong revenue growth, there were a number of important developments with our Company over the past year. Eric Alexandre, formerly President and COO, was appointed President and CEO, succeeding our company co-founder Pierre Alexandre, who assumed the role of Vice Chairman. Under Eric's leadership, we continued to make strong progress in advancing our growth strategy. Orbit Garant completed two strategic transactions, acquiring Advantage Control Technologies and Morris Drilling Inc. These acquisitions bolstered our core strengths with the addition of new capacity, drilling technology, customers, and highly skilled team members both in operations and management. Further, through these acquisitions, we established a new regional hub for Orbit Garant in Sudbury, Ontario, providing greater access to a large customer base in Northern Ontario, one of Canada's most prolific mining regions.

We have established a solid track record of operating and financial performance since becoming a public company in 2008. Our execution of strategic initiatives over the past year further strengthened our position with respect to accessing growth capital. Just prior to our fiscal year-end, Orbit Garant secured a new $40 million, four-year revolving credit facility with National Bank Financial to fund working capital requirements and provide further flexibility to our long-term acquisition program.

Orbit Garant's core strengths are rooted in our:
- experienced and highly skilled personnel and management,
- long-term customer relationships,
- vertically integrated manufacturing and drilling operations,
- low-cost operating model,
- specialized drilling capabilities, and
- our focus on employee training, health and safety.

These core strengths and values were originated and continually advanced under Pierre Alexandre's exceptional leadership as CEO. We look forward to benefiting from his continued strategic input as Vice Chairman.

Over the past year, Eric Alexandre and his senior management team have done an exceptional job in building on these core strengths through the establishment of a new head office and operations center in Val-d'Or, and significantly expanding our human resources and capacity to meet the growing demand for Orbit Garant's services. In Eric's letter to shareholders to follow, he will discuss in greater detail our achievements over the past year and our strategy for future growth and long-term value creation.

In closing, I would like to recognize my fellow independent directors – Patrick Godin, William Gula, Jean-Yves Laliberté and Edmund Stuart – for their dedication and many contributions in supporting the success of Orbit Garant. We enter fiscal 2012 well positioned for continued growth, and your Board of Directors remains focused on ensuring Orbit Garant achieves its potential. Thank you for your support.

Guthrie J. Stewart

Guthrie J. Stewart
CHAIRMAN OF THE BOARD

President and CEO message

Eric Alexandre
PRESIDENT AND CHIEF EXECUTIVE OFFICER

To our shareholders:
Fiscal 2011 was an eventful year for Orbit Garant Drilling. We set new benchmarks in meters drilled and drill utilization rates, and posted record revenue of $127.7 million. We continued to build on our core strengths by:

- completing two strategic acquisitions,
- initiating our "radius" operating strategy at our new office in Sudbury,
- consolidating our Val-d'Or operations, and
- commencing the integration of innovative new technology into our drill manufacturing operations.

Further, supported by strong market conditions, we added 25 new drill rigs in fiscal 2011, taking our fleet count to 180 drill rigs, and increased our workforce to more than 900 employees at year end.

We continued to strengthen relationships with key customers in fiscal 2011, signing new contracts or renewing existing contracts with Newmont Mining, Osisko Mining, Agnico-Eagle Mines, Goldcorp, and Xstrata. Outside of our core Quebec and Ontario markets, we are seeing significant growth in our business in Nunavut and in our international operations. Throughout this period of rapid expansion, I am proud to report that Orbit Garant maintained its strong health and safety record.

At year end, approximately 70% of our revenue was generated through contracts with senior or intermediate mining companies, more than 85% of our revenue was generated in Canada, and approximately 80% of our revenue was derived from gold related projects. These figures underline our focus on favourable commodity exposure and projects located in stable jurisdictions, operated by well-financed mining companies.

Strengthening our platform for growth
The consolidation of our Val-d'Or operations in a new facility is a key development for us. Our new facility will support a significant increase in capacity and improve operational efficiencies. It also provides a better work environment for our employees. The expansion of our capacity in Val-d'Or also positions us to exploit future opportunities that will result from Quebec's "Plan Nord," an ambitious program that will focus on infrastructure, mining, energy, and tourism development in northern Quebec via a comprehensive set of projects that, according to the government, will receive $80 billion in public and private investment over the next 25 years.

While we are proud of our record revenue and the significant progress we made in expanding our operations for future growth, our gross margins declined to 27.6%, compared with 30.6% in fiscal 2010, as we incurred incremental expenses associated with growth, including start-up costs for new projects and the addition of new drillers, which affected our short-term productivity. We started to recover margins in the fourth quarter, improving to 29.2%, and expect margins in the first half of fiscal 2012 to remain consistent with this level, and then improve in the second half as our new crews increase productivity and new contracts reflect higher pricing. Net earnings for fiscal 2011 totalled $12.1 million, or $0.36 per fully diluted share, compared to net earnings of $12.6 million, or $0.38 per fully diluted share, in fiscal 2010.

Our ability to enhance margins going forward will in part be a function of our success in managing productivity, including possible labour shortages. In this regard, our driller training program continues to be important to our success. We are also supporting an innovative, diamond drilling training program at Nunavut Arctic College, offering northern residents the opportunity to become certified drillers and participate in Nunavut's burgeoning resource development industry.

Technology improvements and our ability to successfully integrate acquisitions will also be an important contributor to future profitability. Our acquisition of Advantage Control Technologies brings us innovative computerized monitoring and control systems technology that reduces both the labour and consumables component costs of mineral drilling, enhances productivity and improves health and safety. We expect to manufacture 18 new drills in fiscal 2012, with 10 of these new drills featuring our new technology.

A key competitive advantage for us, historically, has been our proximity to clients in Quebec. Our head office location in Val-d'Or, in the heart of the world renowned Abitibi greenstone belt, has provided us with significant cost advantages, as we have been situated within a close radius of approximately 80% of our revenue. This proximity to customers has contributed significantly to our ability to minimize costs and provide our customers with exceptional service.

We are now replicating our "radius" model in Sudbury, which presents significant opportunities to further strengthen our position in the prolific Abitibi greenstone belt, which spans both provinces. Richard Ross and Bert Stahl, the former owners of Advantage Control Technologies, have assumed leadership positions in our new Ontario office. Richard is our new branch manager, and Bert is our new head of research and development. The operations and staff of Morris Drilling have also been successfully integrated into our new Ontario "hub."

From our core hubs, we also provide exceptional, cost-effective service to mining districts that are further afield, leveraging our established economies-of-scale, specialized drilling expertise and manufacturing operations. We currently support our growing project operations in Nunavut from Val-d'Or, as well as several international projects. Oftentimes, we are building our presence in more distant locations by growing where our key customers grow.

Looking ahead

We are currently evaluating opportunities to establish an additional core "hub" for Orbit Garant in another mining district in Canada and/or internationally. This may involve additional acquisitions. As part of our acquisition criteria, we will ensure that any transaction supports our long-term growth strategy and enhances value for all of our stakeholders.

Although there remains uncertainty in global economic conditions and the state of financial markets at the time of this report, commodity prices remain strong and gold reached new all-time highs as recently as September 2011. We believe that in both the short- and long-term, the mining industry outlook remains positive, particularly in Canada.

With a strong balance sheet, leading market position in Quebec, and a growing presence in Ontario and other key markets, we believe Orbit Garant is well positioned for continued growth in 2012 and beyond. We are committed to building on our core strengths to create long-term value for our shareholders. In closing, I would like to thank our employees for their dedication, teamwork and commitment. I am proud of their contributions. Thank you for your continued support.

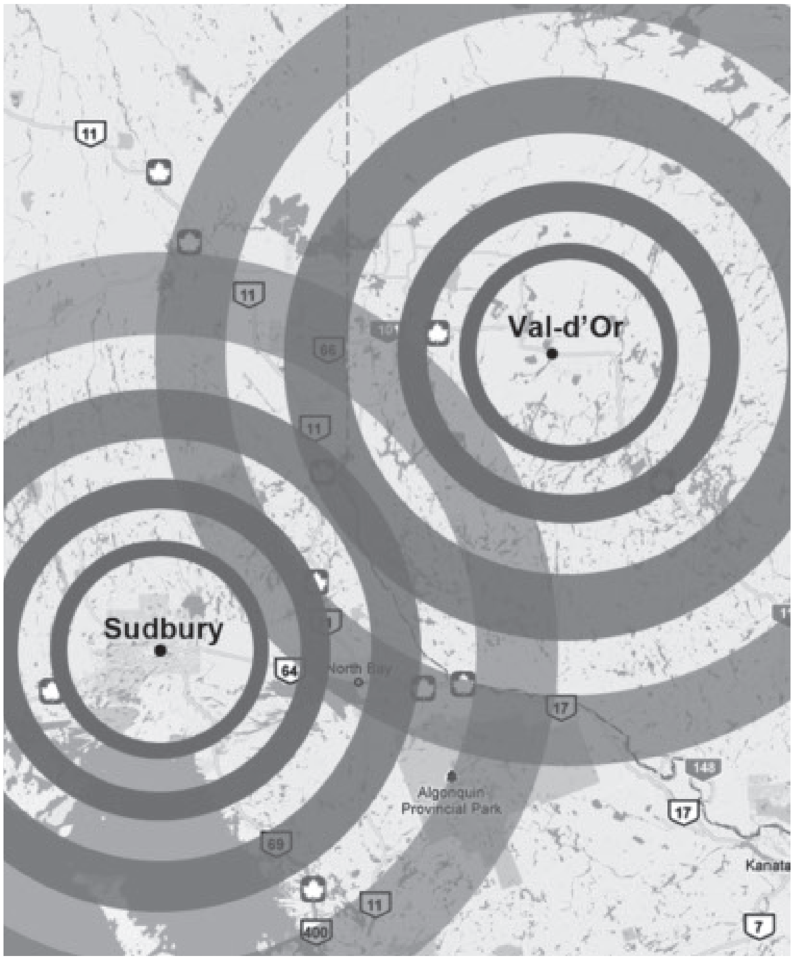
Eric Alexandre
PRESIDENT & CEO

BUILDING ON OUR CORE STRENGTHS

New Val-d'Or facility

In June 2011 we completed the consolidation of our three business locations in Val-d'Or, Quebec, moving into a new 75,000 square foot facility. Our new facility provides us with a significant increase in capacity and represents a critical stepping stone towards our continued growth as an organization. With all of our Val-d'Or operations under one roof we can exercise more control over operations, enabling us to continue to improve operational efficiencies, increase our manufacturing capacity and provide a better work environment for our employees. In addition to increased space for administration, maintenance services and inventory, our manufacturing subsidiary, Soudure Royale, will have a larger production line and improved manufacturing lead times, which will result in decreased equipment and manufacturing costs. These costs savings, will enable us to sustain competitive pricing that, in turn, helps retain existing customers, win new contracts from competitors, and attract new customers, all contributing to our consistent long-term growth.

New Sudbury office

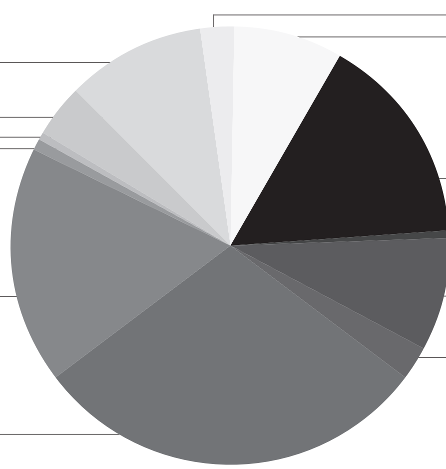


Canada is the world leader in mineral exploration spending. Ontario and Quebec are the two most active provinces in terms of mineral exploration spending. With the opening of our new offices in Sudbury, Ontario, we are now well positioned to exploit market opportunities in both provinces.

In Sudbury, we are replicating our successful "radius" business model from Val-d'Or, Quebec, where, historically, we have been in close proximity to most of our customers, which has enabled us to provide more timely service, and achieve a number of key operating efficiencies, including the optimization of our drill utilization and crew deployments.

Our radius strategy has made us the dominant drilling services provider in the prolific Abitibi greenstone belt within Quebec. We are now focused on achieving this same status within the Abitibi greenstone belt of Ontario.

Canadian provincial exploration budgets*



*Source: National Resources Canada; from the federal-provincial-territorial Survey of Mineral Exploration, Deposit Appraisal and Mine Complex Development Expenditures; Spending intentions, February 2011.

Innovation, training & safety

Our commitment to *innovation, training* and *safety* is a key competitive advantage for us, and plays an important role in building our customer relationships.

Innovation

Our acquisition of Advantage Control Technologies provides us with access to specialized technologies incorporating computerized monitoring and control features that can reduce both the labour and consumables components of mineral drilling, and improve health and safety. Early test results have indicated that an experienced driller using this new technology can significantly increase productivity and that less experienced drillers can more rapidly advance their productivity rates, compared to more conventional drilling rigs. We expect to build 10 new drills incorporating the new control technology in fiscal 2012. This acquisition is directly in line with our growth strategy, as it enables us to improve our technology and productivity, while strengthening our low-cost, vertically integrated business structure.

Training

In the mineral drilling industry, operational efficiency is directly correlated to the quality of a company's labour force and productivity of its drillers. Orbit Garant's "driller and driller-helper" training program has become a key to our success. We created this comprehensive, custom training program for drillers, driller-helpers and foremen, to meet increasing demand for our services. Our training program includes 900 hours of practice and theory and approximately 700 hours of on-site training. Management and expertise techniques are taught to ensure consistency, quality control, performance and preoccupation for safety. We also offer continuing education programs.

Safety

Workplace safety is a top priority for Orbit Garant. We are continuously looking for ways to improve preventative measures through our training programs. Our 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 our organization. Our commitment has been recognized in the industry, as Orbit Garant has been honoured by MASHA (Mines and Aggregates Safety and Health Association) for industry-leading performance in the prevention of workplace incidents across the mining industry in 2008 and 2010.

This Management 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 comparative audited consolidated financial statements for the period ended June 30, 2011 as compared with the corresponding period of the previous year and also with the audited consolidated financial statements and MD&A contained in the Company's annual report for the fiscal year ended June 30, 2010.

The Company's 2011 audited consolidated financial statements were prepared using accounting policies and methods consistent with those used in the preparation of the Company's audited consolidated financial statements for the year ended June 30, 2010. The consolidated financial statements conform in all respects to the requirements of Canadian generally accepted accounting principles (GAAP) for annual financial statements, with the exception of certain note disclosures. All amounts in this MD&A are in Canadian dollars, except where otherwise noted.

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 subsidiaries.

This MD&A is dated September 21, 2011. Disclosure contained in this document is current to that date unless otherwise stated.

Percentage calculations are based on numbers in the Financial Statements and may not correspond to rounded figures presented in this MD&A.

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

From its head office in Val-d'Or, Quebec, Orbit Garant manages a fleet of 180 drilling rigs that services the mining industry in Canada and internationally. The Company has a cost efficient infrastructure and is vertically integrated with its subsidiary, Soudure Royale, which manufactures drill rigs for the Company and third parties (and so provides a competitive advantage in the provision of drilling services). The Company focuses on "specialized drilling", which refers to those drilling projects that are 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.

In the second quarter of the fiscal year 2011, the Company acquired all the issued and outstanding shares of 1085820 Ontario Limited (doing business as Advantage Control Technologies) based in Sudbury, Ontario, which specializes in the development of new technologies for mineral drilling in Canada. The Company also acquired all the issued and outstanding shares of Morris Drilling Inc., a surface diamond drilling business also located in Sudbury, Ontario.

The legal corporate name of 1085820 Ontario Limited was changed on February 8, 2011 to Orbit Garant Ontario Inc. (Orbit Garant Ontario). Prior to that date, the activities of Morris Drilling Inc. were integrated into 1085820 Ontario Limited.

The Company has three operating segments: Drilling Canada (including domestic surface drilling and underground drilling), Drilling International and Manufacturing Canada. The results of operations of Orbit Garant Ontario are included in manufacturing and domestic surface drilling revenues in fiscal 2011.

On February 1, 2011 the Company disposed of its investment of 40% in 6483976 Canada Inc. (Usinage X-SPEC).

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

The Company provides both surface and underground drilling services, which account for approximately 63% and 35% of the Company's revenues, respectively. The manufacturing division accounts for the remaining 2% of revenue.

Approximately 80% of the Company's revenues are generated by gold related operations, while approximately 20% are generated by base metal related and other operations.

Orbit Garant operates in stable jurisdictions, with approximately 85% of the Company's revenues generated in Canada. The Company also operates in the USA, Mexico and Guyana. Approximately 98% of the Company's revenue is in Canadian dollars, which provides greater stability.

Approximately 70% 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

Orbit Garant's goal is to be one of the largest Canadian-based drilling companies, providing both underground and surface drilling for all stages of the mining and minerals business, including exploration, development and production. The Company employs 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;
- Maintaining a strong commitment to R&D and advanced drilling technologies;
- 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;
- Cross-selling drilling services to existing customers; and
- Expanding its bases of operations in strategic regions, such as Orbit Garant Ontario, based in Sudbury, Ontario.

INDUSTRY OVERVIEW

Demand for services in the mineral drilling industry is driven by conditions in the global precious and base metals markets. The strength of demand is determined by price levels for precious and base metals and the availability of capital to finance exploration and development programs and/or ongoing mining operations. Although there remains uncertainty in global economic conditions and the current state of financial markets; record gold prices, combined with strong base metal pricing, have created strong and steady demand for drilling services.

Global mineral exploration and mine development drilling budgets have continued to recover from the market downturn in 2009. Based on preliminary estimates from Metals Economics Group (MEG), a leading independent resource for global mining industry information and analysis, global nonferrous exploration budgets will exceed US$17 billion in 2011 for expenditures related to precious and base metals, diamonds, uranium and some industrial metals. This would represent an increase of approximately 50% from the 2010 total and according to MEG, a new all-time high. Further, Natural Resources Canada (NRCan) projects that 2011 exploration budgets in Canada will almost equal the record levels attained in 2008. These projections support Orbit Garant's forecasts for solid demand for drilling services in the short-intermediate term. In the longer term, increasing global demand, particularly from the emerging economies of the BRIC nations (Brazil, Russia, India, China), combined with the lack of significant new discoveries, requires exploration for new mineral deposits, or the expansion of drilling activity on existing deposits, leading to increased demand for drilling services.

Gold

With the current uncertainty concerning global economic conditions and financial markets, largely due to sovereign debt issues in Europe, Standard & Poor's recent downgrade of the U.S. credit rating, and concerns over a weakening global economy; gold has once again emerged as a preferred safe haven for capital. This has resulted in strong demand and record gold prices of more than US$1,900 an ounce in early September, 2011, which, in turn, has resulted in robust cash flows for gold producers and strong access to capital for companies with highly prospective exploration and/or development properties.

Despite rising prices for gold, mine supply growth has been modest and output actually declined between 2005 and 2008. However, in 2009 and 2010 mine production increased significantly, as more projects became economically viable. Gold production has now recovered to 2001 peak levels. Many gold producers plan on using their cash reserves to explore for new projects or expand existing deposits in efforts to replace or replenish reserves. MEG reports that, since 1997, replacement of gold reserves through exploration may not have been sufficient to meet future demand. As gold companies focus on exploration and mine expansion, demand for drilling and drilling services is expected to continue to be strong.

Base metals

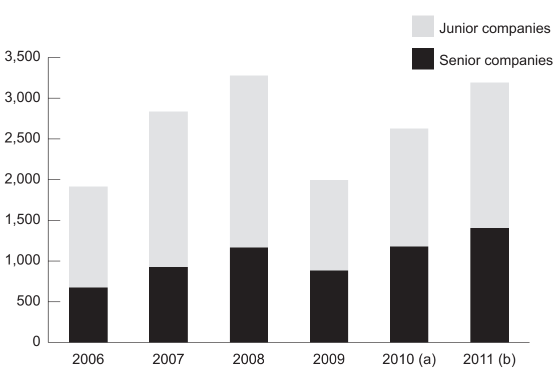
Global economic uncertainty has resulted in recent volatility for base metal prices. However, prices for aluminum, copper, lead, nickel and zinc – the primary industrial metals – are all still well above the five-year price lows experienced in late 2008 and early 2009, and well above average costs of production. In fact, copper prices – widely considered a bellwether indicator for global economic conditions – averaged US$4.20 per pound in August, 2011, not far below copper's historical spot price high of US$4.60 per pound in February, 2011. Base metals prices have been supported by increasing global demand, supply disruptions and heightened investor interest. With increasing demand and new supply slow to come on stream, the demand/supply balance is expected to be favourable to producers, resulting in solid pricing and steady demand for drilling services.

Market participants

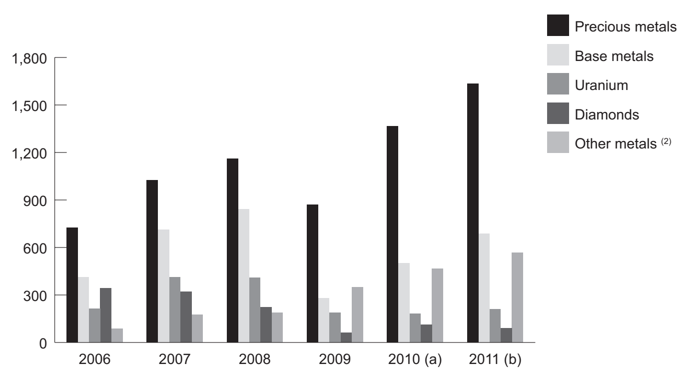
With improved precious and base metals prices since the market bottom in early 2009, the mining industry has become increasingly healthy. Many large companies, which have increased reserve levels in recent years only through upgrades at existing mines and/or M&A activity, are ramping up exploration budgets. Intermediate and junior companies, which were conserving cash through the recession, increased their exploration budgets in 2010 and the spending trend has continued into 2011.

According to MEG, Canada attracted $2.2 billion or 19% of worldwide nonferrous exploration allocations in 2010, and greater exploration spending has continued into the current year. Based on a survey of resource companies conducted in February 2011, NRCan projects Canadian exploration spending to exceed $3.0 billion in 2011. Ontario, Quebec, Saskatchewan, and British Columbia account for approximately three-quarters of Canadian exploration spending. With the vast majority of spending in these jurisdictions, Orbit Garant's strong position in Quebec and expansion into Ontario should position it well for future opportunities.

Canadian Exploration and Deposit Appraisal Expenditures (1) by Junior and Senior Companies, 2006–2011
($ millions)



Canadian Exploration plus Deposit Appraisal Expenditures (1) by Mineral Commodity, 2006–2011
($ millions)



Source: Natural Resources Canada, from the federal-provincial-territorial Survey of Mineral Exploration, Deposit Appraisal and Mine Complex Development Expenditures.
(1) Includes on-mine-site and off-mine-site activities; field work, overhead costs, engineering, economic and feasibility studies, environment, and land access costs.
(2) Includes iron, other metals, coal and nonmetals.
(a) Preliminary estimates at February, 2011.
(b) Spending intentions at February, 2011.
Notes: Exploration and deposit appraisal activities include only the search for and appraisal of deposits and do not include work for extensions of known reserves.

OVERALL PERFORMANCE
RESULTS OF OPERATION YEAR ENDED JUNE 30, 2011

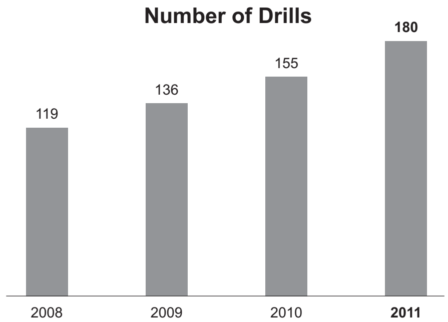
Year ended June 30 * ($ millions)	Fiscal 2011	Fiscal 2010	2011 vs. 2010 Variation	Variation (%)
Revenue*	**127.7**	110.0	17.7	16.2
Gross profit*	**35.3**	33.6	1.7	4.9
Gross margin (%)	**27.6**	30.6		(3.0)
EBITDA*[(1)]	**26.5**	27.9	(1.4)	(4.9)
Meters drilled	**1,413,332**	1,298,124	115,208	8.9
Net earnings*	**12.1**	12.6	(0.5)	(3.6)
Net earnings per common shares				
– Basic ($)	**0.37**	0.38		
– Diluted ($)	**0.36**	0.38		

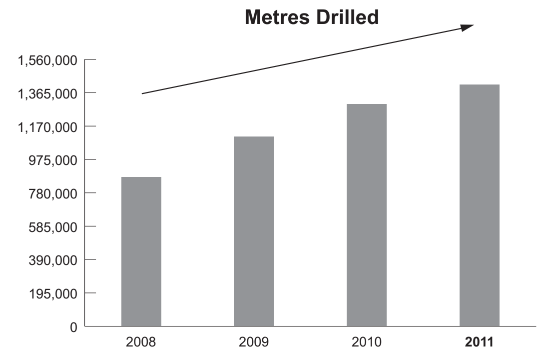
(1) EBITDA = Earnings before interest, taxes, depreciation and amortization. (See “Supplemental Disclosure”)

SELECTED ANNUAL FINANCIAL INFORMATION

For the year ended June 30 * ($ millions)	Fiscal 2011 12 months	Fiscal 2010 12 months	Fiscal 2009 12 months
Contract revenue			
Drilling Canada*			
– Surface*	**61.5**	52.6	54.9
– Underground*	**44.1**	46.6	45.8
	105.6	99.2	100.7
Drilling International – Surface	**19.0**	10.2	3.8
Manufacturing Canada*	**3.1**	0.6	0.7
Total*	**127.7**	110.0	105.2
Gross profit*	**35.3**	33.6	36.1
Gross profit (%)	**27.6**	30.6	34.3
Net earnings*	**12.1**	12.6	12.6
Net earnings per common share ($)	**0.37**	0.38	0.39
Net earnings per common share diluted ($)	**0.36**	0.38	0.38
Total assets*	**140.9**	108.5	102.9
Long term debt*	**14.7**	0.2	10.7
Dividend in cash*	**—**	—	—
Total meters drilled (million)	**1.4**	1.3	1.1
EBITDA*	**26.5**	27.9	28.0
EBITDA %	**20.8**	25.4	26.6

* See supplemental disclosure





During fiscal 2011, the Company added a total of 25 drill rigs, of which 20 were manufactured by Soudure Royale, the manufacturing division of the Company, and five were acquired through the acquisition of Morris Drilling Inc.

RESULTS OF OPERATIONS

Fiscal 2011 compared to fiscal 2010

Contract revenue

During the fiscal year ended June 30, 2011, the Company recorded contract revenue of $127.7 million compared to $110.0 million in fiscal 2010, representing an increase of $17.7 million, or 16.2%. The increase is attributable to new drilling contracts, the acquisition of Morris Drilling and price increases.

Domestic surface drilling contract revenue increased to $61.5 million in fiscal 2011, compared to $52.6 million in fiscal 2010, representing an increase of $8.9 million, or 17.1%. The increase reflects additional meters drilled from existing and new contracts.

Underground drilling contract revenue decreased 5.2% to $44.1 million in fiscal 2011, compared to $46.6 million in fiscal 2010, as a result of a reduction in meters drilled and reduced prices on contracts renewed at the beginning of the 2011 fiscal year.

The Company increased its total meters drilled by 8.9% to more than 1.4 million meters during the fiscal year, due to increased demand resulting from exploration and mine development drilling programs.

International drilling contract revenue increased 86% to $19.0 million in fiscal 2011 compared to $10.2 million in fiscal 2010. The increase of $8.8 million is attributable to the additional meters drilled and price increases.

Manufacturing Canada generated $3.1 million of revenue in fiscal 2011, compared to $0.6 million in fiscal 2010. During fiscal 2011, Soudure Royale and Orbit Garant Ontario manufactured equipment, supplies, and performed maintenance services for the Company and third parties.

Orbit Garant generated a gross margin of 27.6% for fiscal 2011 compared to 30.6% in fiscal 2010. The decline resulted from a competitive pricing environment, along with incremental expenses related to growth such as hiring new, less-experienced drillers, as well as some one-time costs related to extreme weather conditions on some drill sites and a fire on one site during the third quarter. Margins continue to be impacted in the short-term by hiring, training and mobilization of new drilling crews. As the new crews continue to develop, management expects profit margins to improve. Orbit Garant expects revenue growth to remain solid and prices to improve as long-term contracts come due for renewal.

General and administrative expenses

General and administrative (G&A) expenses were $9.2 million for fiscal 2011, compared to $6.6 million in fiscal 2010. G&A expenses represented 7.2% of sales during fiscal 2011, compared to 6.0% in fiscal 2010, reflecting the Advantage Control Technologies and Morris Drilling Inc. acquisitions, the establishment of a new office in Sudbury, the consolidation of the Company's Val-d'Or operations in a new facility, and increased personnel at the Company's Val-d'Or operations to support future growth.

EBITDA (see supplemental disclosure)

EBITDA was $26.5 million for fiscal 2011, compared to $27.9 million in fiscal 2010, a decrease of $1.4 million, or 4.9%. EBITDA for fiscal 2011 represented 20.8% of sales, compared to 25.4% in fiscal 2010.

Financial expenses

Interest on long-term debt for fiscal 2011 was $0.3 million, compared to $0.2 million in fiscal 2010.

Amortization

Amortization of capital assets was $7.2 million in fiscal 2011, compared to $5.5 million in fiscal 2010. The increase resulted primarily from the acquisition of property, plant and equipment.

Amortization of intangible assets was $1.5 million in fiscal 2011, compared to $3.9 million in fiscal 2010, as some intangible assets were fully amortized and some were added due to recent business acquisitions.

Income taxes

Income taxes were $5.3 million in fiscal 2011, compared to $5.6 million in fiscal 2010.

Net earnings

Net earnings in fiscal 2011 totalled $12.1 million, or $0.37 per common share ($0.36 per share diluted), compared to $12.6 million, or $0.38 per common share ($0.38 per share diluted) in fiscal 2010. This decrease is primarily attributable to the decline in gross margin and increased G&A expenses.

SUMMARY ANALYSIS OF FISCAL 2010 COMPARED TO FISCAL 2009

Revenue for the fiscal year ended June 30, 2010 was $110.0 million compared to $105.2 million for fiscal 2009, representing an increase of 4.6%.

Gross margins for fiscal 2010 were 30.6%, compared to 34.3 % for fiscal 2009. Total gross profit during fiscal 2010 was $33.6 million, compared to $36.1 million for fiscal 2009, representing a decrease of 10.8%. The decline was a result of a more competitive pricing environment due to prevailing economic environment.

Net earnings for fiscal 2010 totaled $12.6 million, in line with fiscal 2009.

Earnings per share of $0.38 (or $0.38 per share diluted) for fiscal 2010 compared to $0.39 per share (or $0.38 per share diluted) for fiscal 2009.

OVERALL PERFORMANCE
SUMMARY OF QUARTERLY RESULTS

	Fiscal 2011				Fiscal 2010			
* ($ millions)	**June 30**	**Mar. 31**	**Dec. 31**	**Sept. 30**	June 30	Mar. 31	Dec. 31	Sept. 30
Contract revenue*	**41.1**	**33.4**	**25.9**	**27.4**	33.1	28.8	23.7	24.4
Gross profit*	**12.0**	**8.6**	**7.5**	**7.1**	9.1	8.9	7.6	8.0
Gross margin %	**29.2**	**25.7**	**29.1**	**26.1**	27.6	31.0	32.0	32.8
Net earnings*	**4.7**	**2.4**	**2.7**	**2.2**	4.0	3.7	2.4	2.5
EBITDA(1)*	**9.4**	**6.1**	**5.8**	**5.3**	7.8	7.9	6.0	6.2
Net earnings per Common Share ($)								
– Basic	**0.15**	**0.07**	**0.08**	**0.07**	0.12	0.11	0.07	0.08
– Diluted	**0.14**	**0.07**	**0.08**	**0.07**	0.12	0.11	0.07	0.08

(1) EBITDA = Earnings before interest, taxes, depreciation and amortization. (See "Supplemental Disclosure")

Revenue per meter drilled decreased during fiscal 2010 as a direct result of a more competitive environment and started to increase in the second part of fiscal 2011, due to significant demand for drilling services. Orbit Garant increased the number of meters drilled in fiscal 2011 to 1.4 million meters, up from 1.3 million meters in fiscal 2010, driving strong revenue growth.

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 2011 COMPARED TO FISCAL 2010

Contract revenue

During the fourth quarter of the fiscal year ended June 30, 2011 (Q4 FY 2011) revenues were $41.1 million, which represents an increase of $8.0 million or 24.1% compared to the quarter ended June 30, 2010 (Q4 FY 2010). Increased revenue is attributable to an increase in the number of meters drilled from 378,687 in Q4 FY 2010 to 426,525 in Q4 FY 2011, and increased revenue per meter due to price increases.

Underground drilling revenue decreased to $11.4 million in Q4 FY 2011, from $11.6 million in Q4 FY 2010, representing a decrease of 2.0%. The decrease resulted from a reduction in meters drilled, partially offset by price increases.

Domestic surface drilling revenue was $21.5 million in Q4 FY 2011, compared to $16.8 million in Q4 FY 2010, representing an increase of 27.8%. Most of the increase was attributable to the Company's new Ontario operations.

International drilling revenue was $7.3 million in Q4 FY 2011 compared to $4.1 million in Q4 FY 2010, an increase of 76.6%. This is a direct result of new contracts initiated during the fiscal 2011 and price increases.

Revenue from the manufacturing division was $0.9 million during Q4 FY 2011 compared to $0.6 million for Q4 FY 2010. Demand for new drills from third parties has increased, but Orbit Garant continues to utilize capacity at Soudure Royale to manufacture drills and equipment for its own fleet. The addition of Orbit Garant Ontario also contributed to increased manufacturing revenue.

Gross margin and profit

Overall gross profit for Q4 FY 2011 was $12.0 million, an increase of $2.9 million, or 31.4%, from $9.1 million in the comparable period of fiscal 2010. Gross margin for Q4 FY 2011, was 29.2% compared to 27.6% for the corresponding period last year. This increase in gross profit is primarily attributable to increased activity in higher margin international drilling.

General and administrative expenses

General and administrative expenses were $2.8 million in Q4 FY 2011 compared to $1.5 million for the same period last year. G&A expenses represented 6.9% of sales in Q4 FY 2011, compared to 4.5% of sales for the same period in fiscal 2010. Increased G&A expenses reflect the Advantage Control Technologies and Morris Drilling Inc. acquisitions, the establishment of a new office in Sudbury, the consolidation of the Company's Val-d'Or operations in a new facility, and increased personnel at the Company's Val-d'Or operations to support future growth.

EBITDA (see Supplemental Disclosure)

EBITDA was $9.4 million in the fourth quarter of fiscal 2011, compared to $7.8 million in the same period of the prior year, an increase of $1.6 million, or 21.0%. EBITDA in Q4 FY 2011 represented 22.9% of sales, compared to 23.5% of sales in the corresponding period in fiscal 2010.

Financial expenses

Interest costs related to long-term debt and bank charges were $0.1 million in Q4 FY 2011, comparable to negligible in Q4 FY 2010.

Amortization

Amortization of Property, Plant and Equipment was $2.0 million for Q4 FY 2011, compared to $1.5 million for Q4 FY 2010.

In Q4 FY 2011, amortization of intangible assets decreased to $0.5 million, compared to $0.6 million in Q4 FY 2010.

Income taxes

Income taxes were $2.0 million for Q4 FY 2011 compared to $1.7 million for the same period last year.

Net earnings

Net earnings for Q4 FY 2011 were $4.7 million, or $0.15 per share ($0.14 per diluted share), compared to $4.0 million, or $0.12 per share ($0.12 per diluted share) for the corresponding period in fiscal 2010.

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 $2.1 million earned in U.S. dollars, related primarily to the surface reverse circulation drilling business carried on by Drift. In fiscal 2011, the net currency exposure totaled approximately $0.3 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 in fiscal 2011, in line with fiscal 2010.

The use of cash and non cash working capital items is mainly due to the increase of receivables and inventories. These increases are attributable to increased drilling activities and the decision to replenish consumable products with larger orders to ensure sufficient supplies to meet operational requirements.

Investing activities

Cash used in investing activities totalled $23.0 million for fiscal 2011, compared to $12.9 million in fiscal 2010. During fiscal 2011, $18.6 million was used for the acquisition of property, plant and equipment, including new rigs, support equipment, the Company's new facility in Val-d'Or, Québec and cash of $1.2 million on disposition of property, plant and equipment. This compares with $14.0 million for the acquisition of Property, Plant and Equipment and cash of $1.1 million on disposition of a property for the fiscal year ended June 30, 2010.

During fiscal 2011, $6.2 million was used for the business acquisitions of Advantage Control Technologies and Morris Drilling Inc. In fiscal 2010, there were no business acquisitions.

On February 1, 2011 the Company disposed of its investment in 6483976 Canada Inc. (Usinage X-SPEC) for consideration of $0.9 million, plus an amount corresponding to 40% of the increase in retained earnings during the period between February 1, 2010 and January 31, 2011. Net consideration of $0.5 million was received on February 1, 2011 and the balance will be received no later than September 2011.

Financing activities

Cash flow generated from financing activities was $14.4 million for fiscal 2011. In fiscal 2010 cash flow from financing activities showed a use of funds of $10.5 million. During fiscal 2011, the Company repaid a bank loan of $7.1 million and entered into an additional long-term loan of $21.5 million to support the acquisitions of Advantage Control Technologies and Morris Drilling Inc. and the acquisition of other capital assets, property, plant and equipment.

As at June 30, 2011, the Company's working capital was $50.7 million compared to $37.5 million as at June 30, 2010. The Company's working capital requirements are primarily to fund inventory acquisition and support accounts receivable.

The Company believes that it will be able to generate sufficient cash flow to meet its current and future working capital expenditure and debt obligations. The Company's principal capital expenditures are for the acquisition of drilling rigs and property, plant and equipment.

Source of financing

The Company's primary sources of liquidity are from operations and borrowings under a credit agreement between the Company and National Bank of Canada Inc. (the "Credit Agreement") and also equity financing. On May 27, 2011, Orbit Garant obtained a new $40.0 million secured, four-year revolving credit facility with National Bank Financial, replacing the Company's prior $7.0 million one-year revolving credit facility held with the same institution. Orbit Garant and its lenders have the option to increase the funds available under the new credit facility up to a total of $60.0 million, subject to certain conditions. The new credit facility will be used to fund working capital requirements and provide further flexibility to the Company's long-term acquisition program. This facility matures no later than May 27, 2015.

The Credit Agreement contains covenants that limit the Company's ability to undertake certain actions, including mergers, liquidations, dissolutions and changes of ownership; the incurrence of additional indebtedness; encumbering 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, 2011, the Company had future contractual obligations as follows:

*($ thousands)	Total $	Less than 1 year $	2–3 years $	4–5 years $
Bank loan*	—	—	—	—
Long-term debt*	15,117	168	55	14,894
Operating leases*	966	217	393	356
Client deposits*	453	453	—	—
Other long-term obligations*	—	—	—	—
Total*	16,536	838	448	15,250

RELATED PARTY TRANSACTIONS

The Company is related to 2867-3820 Québec Inc. (which is owned by Mr. Pierre Alexandre, Vice-Chairman of the Company). The Company was also related to 6483976 Canada Inc. (Usinage X-SPEC) until January 31, 2011 due to the significant influence exercised by the Company.

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

*($ thousands)	**June 30, 2011**	June 30, 2010
Sales*	**47**	87
Purchases*	**1,267**	1,982
Rent*	**95**	108
General and administrative expenses*	**—**	35

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.

As at June 30, 2011, accounts payable and accrued liabilities are negligible in relation to these transactions, compared to $0.7 million as at June 30, 2010.

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
Drilling technology	60 months
Non-competition agreement	36 and 60 months

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 2011.

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 meters 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 of 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

International Financial Reporting Standards (IFRS)

In 2009, the Accounting Standards Board of Canada (AcSB) confirmed that Canadian GAAP for publicly accountable enterprises would be replaced by International Financial Reporting Standards (IFRS,) effective January 1, 2011. IFRS use a conceptual framework similar to Canadian GAAP, but with considerable differences in the recognition, measurement and disclosures. The Company expects the transition to the IFRS will have an impact on financial reporting, the operational process, and the reporting systems.

For the Company, the conversion to IFRS will be required for the financial statements for periods beginning on or after July 1, 2011. The comparative data must be restated to comply with IFRS. Consequently, the Company has developed an IFRS conversion plan addressing the main elements, including: financial reporting, operations, systems and procedures, internal controls, communication and training.

This conversion plan consists of three phases:

Phase I – Preliminary analysis
Phase II – Implementation of a conversion plan
Phase III – Calculation of the encrypted impact of the conversion

The following table summarizes the main activities and the progress of the Company's conversion project:

Phase I – Preliminary analysis	
Work involved	**Progress**
Analyze the differences between the Canadian standards currently applied and the IFRS used to identify the impacts related to the implementation of the new IFRS framework.	The Company has finished, on a qualitative basis, identifying the differences between the accounting policies currently used by the Company and the applicable IFRS. For the Company, the main differences lie in IFRS 2, IFRS 3 and IAS 21.
Analyze the impact associated with the application of IFRS 1, *First-time adoption of International Financial Reporting Standards*, including the identification of the choices and exemptions applicable to the Company when IFRS are retroactively applied as at July 1, 2010.	The Company has completed the documentation, on a qualitative basis, of their main choices to adopt and exemptions from adopting retroactive application of IFRS.
Quantify the qualitative impacts following the analysis of the new accounting framework applicable to the Company's opening balance sheet on July 1, 2010.	The Company has qualified the differences raised and the choices made related to the major impacts; IFRS 2 – Share-based Payment (see below).

Phase I – Preliminary analysis (continued)	
Work involved	**Progress**
Assess the impact of the change in accounting framework on: 1) The information technologies and reporting systems 2) Internal controls regarding financial reporting; 3) Controls and procedures regarding communication of information with third parties; 4) The required expertise concerning financial reporting; 5) Business operations and the elements on which the Canadian GAAP compliance measures could have a legal or regulatory impact on cash needs and compensation mechanisms.	**Information technologies and data systems** To date, the Company has not needed to adjust its existing systems because it produce financial information in accordance with IFRS up to September 30, 2011, the first quarter for which the Company will produce interim financial statements based on the new accounting framework. If the Company changes its opinion on this point, this information would be included in the first Management's Discussion and Analysis for the period in which this amendment would be required. **Restrictive financial clauses and compensation standards** The Company is currently assessing the impacts of transitioning to IFRS on these different elements and will provide additional information on its financial statements when these impacts are known. **Internal controls concerning financial reporting, controls and procedures regarding communication of information** The Company, while documenting its different accounting positions, is assessing the need to adjust its processes regarding internal controls and communication of the financial information. If it becomes apparent that an amendment is required, these processes will be adjusted to correctly apply IFRS and ensure that the existing present controls are effective. To date, no internal controls have been adjusted.

Phase II – Implementation of a conversion plan (since February 2010)	
Work involved	**Progress**
Develop training materials centered on the IFRS applied to the Company, intended for the personnel responsible for writing the financial statements.	Training sessions on IFRS, targeting the theoretical differences between Canadian GAAP and IFRS, were offered to all personnel responsible for producing the Company's future financial statements in accordance with IFRS, and to certain members of the audit committee. To date, the training sessions have all taken place.
Document the technical positions prepared by the team in charge of producing the financial statements and validated by the Company's management of the different accounting positions that the Company will adopt, in IFRS 1, and also in the other IFRS applicable to the Company, aimed at quantifying, at a subsequent date, ("Phase III") the impact related to the application of these standards.	The Company has documented the different applicable technical positions according to IFRS, in compliance to Canadian GAAP. On June 30, 2011, the key elements were ready in order to start preparing: • the opening balance sheet as of July 1, 2010; • the financial information for 2010 in accordance with IFRS (including the notes to financial statements) to submit the comparative quarterly and annual information for the 2010-2011 period.

Phase III – Calculation of the encrypted impact of the conversion	
Work involved	**Progress**
Implementation of the calculations of the encrypted impacts on the conversion from Canadian GAAP to IFRS.	Analysis of IFRS and differences from Canadian GAAP currently used by the Company, versus the IFRS that have been documented and calculated.
Preparation of the comparative quarterly financial statements for the year ending June 2011.	The information necessary to prepare quarterly financial statements was completed.

Initial choices at adoption

Adoption of IFRS by the Company requires implementation of the IFRS 1, *First-time adoption of International Financial Reporting Standards*, which provides indications regarding an entity's initial adoption of IFRS. Generally, IFRS 1 requires that an entity applies, retrospectively, all IFRS in effect at the end of the first adoption period. However, as part of this general requirement, IFRS 1 provides certain mandatory exceptions and limited optional exemptions in specific areas in order to facilitate the transition to IFRS.

The following table provides a summary of the principal exemptions contained in IFRS 1, which the Company will override, at the transition date, i.e., on July 1, 2010:

Scope	Exemption summary
Business Combinations	A newly converted business can decide not to retrospectively apply IFRS 3, Business Combinations to former business combinations (business combinations that occurred prior to the transition to IFRS). However, if a newly converted business withdraws a business combination to comply with IFRS 3, (revised in 2008) it must withdraw all business combinations as of this same date. The Company has chosen not to withdraw prior acquisitions on the date of the transition to the IFRS, which is July 1, 2010.
Foreign Exchange	The Company has elected to use the exemption so as not to recognize in other comprehensive income the effect of the conversion in the former international divisions at the date of the adoption of IFRS. The accumulated balance at the transition date will therefore be withdrawn.
Share-based Payment	According to IFRS 1, a first-time adopter is encouraged, but not obligated, to apply IFRS 2, Share-based payment, regarding equity instruments granted on or before November 7, 2002. A first-time adopter is also encouraged, but not required, to apply IFRS 2 to equity instruments granted on or after November 7, 2002 and acquired before the transition date to IFRS, on July 1, 2010. The Company has decided to resort to this exemption and not withdraw these grants. For the equity instruments granted after November 7, 2002 and not acquired as at July 1, 2010, the Company will be required to apply IFRS 2 retrospectively to these grants.

After the quantification of the impacts following these choices the Company does not expect the implementation of these choices to have any significant impact on the results presented in its opening balance sheet following the adoption of IFRS.

The Company will continue to monitor the changes made to IFRS during the implementation process and will assess their impacts on the Company and its financial reporting.

The Company is continuously engaged in dialogue with the Company's independent auditors regarding the implementation process of IFRS.

The table below shows the main differences between Canadian GAAP and IFRS having a significant impact on the Company's consolidated financial statements. The cumulative retroactive effect resulting from the differences between the existing accounting policies and the new accounting policy applied retrospectively at the date of adoption to IFRS, will be recorded on the opening balance of retained earnings in the Company's opening balance sheet at the date of transition to IFRS.

IFRS	Impact of the adoption
IFRS 3 – Business Combinations	**Shares issued in consideration of the cost of purchase** Canadian GAAP – The shares issued in consideration of an acquisition are valued based on their quoted market price a few days before or after the date on which the parties agreed on the price and when the proposed transaction was announced. IFRS – The shares in consideration are valued at their quoted market price on the date on which the issued purchase is concluded. **Conditional consideration** Canadian GAAP – Conditional consideration is recognized as an integral part of the cost of purchase, but only when it is possible to reasonably estimate and establish, without a reasonable doubt, that the condition will be satisfied. IFRS – Conditional consideration is recognized as an integral part of the cost of purchase on the date of the purchase, if it is likely that the condition will be satisfied and that it is possible to reliably value the amount at its fair value. The changes in the initially recorded amount are carried to the result and the future cash payment discounts are amortized by being carried to the interest expense. **Acquisition-related costs** Canadian GAAP – The buyer's costs are recorded as an integral part of the purchase cost. IFRS – These costs are recorded as expenses. **Valuation of the share of non-controlling shareholders** Canadian GAAP – The share of non-controlling shareholders is valued at the original cost, i.e., the carrying value of the acquired company at the time of purchase. IFRS – The share of the non-controlling shareholders is valued at its fair value. The Company may elect to measure the fair value according to the purchase price or based on the fair market value. Impact of the transition: none Expected future impact: Impact of costs of purchase, valuation of shares issued in consideration of costs of purchase and conditional consideration.

IFRS	Impact of the adoption
IFRS 2 – Share-based Payment	**Expense recognition** Canadian GAAP –The fair value of share-based grants with a gradual vesting condition is recognized based on the straight-line method over the vesting period. IFRS – Each portion of an allotment grant is considered as a separate grant and the compensation cost is amortized on the basis of each of these portions (diminishing). Impact of the transition: Calculation of compensation expense using the diminishing-balance method for options granted in the last four years. These changes will result in an increase in a contributed surplus of $0.4 million and a corresponding decrease to retained earnings at the date of transition. Expected future impact: Application of the diminishing-balance method for all the new granted options.
IAS 16 – Property, Plant and Equipment	**Valuation after initial recognition** Canadian GAAP – Property, plant and equipment must be presented at the purchase cost, net of accumulated amortization and of all previous depreciation. IFRS – There is a choice regarding subsequent valuation. The entity can present property, plant and equipment at net cost of the accumulated depreciation and of any depreciation or at fair value. **Replacement cost** Canadian GAAP – The incurred costs to increase the service potential of property, plant and equipment represent an improvement and are included in the cost of the property, plant and equipment. IFRS – Any replacement for the property, plant and equipment of which the expected future benefits exceed the following accounting period is included in the cost of the property, plant and equipment. The replaced item is subject to de-recognition. **Amortization** Canadian GAAP – The cost of property, plant and equipment is comprised of significant, separate components, and is allocated between these items when it is reasonably possible to do so and if the life span of each of these components may be subject to an estimate. The amortization expense starts as soon as the asset is ready to be used. IFRS – Each part of property, plant and equipment with a significant cost compared to the total cost of a component must be amortized separately. The amortization expense starts as soon as the asset is ready to be used. Impact at transition: The Company will not revalue its property, plant and equipment at fair value because the recorded costs to date represent the nearest fair value. Recognition by component of property, plant and equipment will be applied. Expected future impact: For the building, the amortization expense will start as soon as the building is ready to be used. If required, interest will be capitalized on the basis of IAS 23.

IFRS	Impact of the adoption
IAS 38 – Intangible Assets	**Initial observation** Canadian GAAP – At cost. The valuation at fair value is prohibited. IFRS – Cost valuation method or revaluation at fair value only if there exists an active market. Impact at transition: none Expected future impact: none
IAS 36 – Impairment of Assets	**Impairment of assets** Canadian GAAP – The carrying value of a long-term asset is not recoverable if it exceeds the total undiscounted cash flows which will likely result in the use and the eventual exclusion of the asset. When this happens, the cost is brought back to its fair value. IFRS – An asset must be recognized at the lesser of its carrying value and its recoverable value. The recoverable value of an asset is the higher value between the fair values, less the sale costs of its value in use. The value in use is the present value of the expected future cash flows of an asset or of a cash-generating unit. A reversal of a write-down of an asset other than goodwill must be immediately recognized in profit. Impact at transition: none Expected future impact: The depreciation test under IFRS might result in loss or plus-value more frequently.
IAS 37 – Provisions, Contingent Liabilities and Contingent Assets	**Valuation** Canadian GAAP –There is no separate term for differentiating between contingent liabilities and provisions. A contingent liability is recognized when its realization is probably greater than 70% in practice. No contingent liability is known if the amount is undetermined. IFRS – According to IFRS, liability provision is known when the probability of realization is greater than 50%. In rare cases, it is not possible to estimate the contingent liability. The loss on an “in deficit” contract must be accounted for at the time it is discovered. There are definitions for the terms provision and eventual liability and for the provisions, the accounting criteria are listed. The provisions must be presented separately from the liabilities. Impact at transition: none Expected future impact: Contingent liabilities related to business combinations must be analyzed to determine if they meet the definition of provision.

IFRS	Impact of the adoption
IAS 21 – The Effects of Changes in Foreign Currency Rates	**Translation** Canadian GAAP – Distinction made between two types of foreign operations; integrated foreign operations and self-governing foreign operations. These foreign operations are converted according to two separate methods. The notions of monetary or non-monetary assets and liabilities are used. Translation methods at the current rate, the historical rate and at the average rate in a period are used. IFRS – IFRS do not distinguish between the different types of foreign activities. The relationship between the entity and its foreign activity constitutes a factor in determining the functional currency. For consolidation purposes, the financial statements of a foreign activity are translated using the following method: assets and liabilities are translated at the closing rate, income and expenses at the average rate of the period. If the economy is hyperinflationary, adjustments related to the present purchasing power is carried to the financial statements before the translation. Impact at transition: None; the translation difference amounts are brought to zero. Expected future impact: Variable, because the IFRS translation method differs from the method currently used according to Canadian GAAP.
IAS 12 – Income Taxes	**Acquisition of an asset other than in a business combination** Canadian GAAP – When the tax basis of an asset differs from the accounting basis at the time of acquisition, the cost of the asset is adjusted while taking into consideration the future related tax. IFRS – The future tax cannot be recognized when the acquisition of an asset is not acquired as part of a business combination. **Business Combinations** Canadian GAAP –The future tax assets with a probable realization at the time of acquisition are an integral part of the acquisition equation. IFRS – The future tax assets with a probable realization at the time of acquisition are addressed as a transaction separate from the combination. Impact at transition: The differed taxes in the opening balance sheet will also be adjusted to recognize the changes in the other accounting standards at the time of conversion to IFRS.
IAS 1 – Presentation of Financial Statements	Format differences and additional disclosures in the accompanying notes to the financial statements are required according to IFRS.

The Company is in the final stages of quantifying the major differences between Canadian GAAP and IFRS on the Company and its financial reporting.

The implementation process for the transition to IFRS is proceeding according to plan. The adjustments in the financial statements will include sustainable IFRS compliant financial data and processes for fiscal 2012 and beyond. The Company is confident that the transition will be done in accordance with the relevant requirements and on a timely basis.

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, 2011

Number of shares	33,059,437
Number of options	2,323,000
Fully diluted	35,382,437

In fiscal 2011, the Company issued 290,000 options at an exercise price of $5.65 and 75,000 options at an exercise price of $6.02. Also in fiscal 2011 4,500 options were exercised at an exercise price of $1.00. As of September 21, 2011, 10,500 additional options were exercised at an exercise price of $1.00.

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, 2011. These risks and uncertainties are not the only ones relevant to the Company. Additional risks and uncertainties not currently 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 May 27, 2015. 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, 2011, 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.

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 Orbit Garant Ontario to manufacture and deliver to the Company new drills and consumables. Any negative impact on the ability of Soudure Royale and Orbit Garant Ontario 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 Drifts, Forage +, Orbit Garant Ontario 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 Brazil, 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 (6) to twelve (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 $2.1 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 activities at clients' 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. Consequently, the trading price of the Common Shares may fluctuate.

Influence of existing shareholders

As of September 21, 2011, Pierre Alexandre, the Vice-Chairman of the Company, holds or controls, directly or indirectly, approximately 28% of Orbit Garant's outstanding Common Shares. As a result, this shareholder has 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 takeover bids and business combinations, and correspondingly affect its share price.

Future sales of Common Shares by the Company's existing shareholders

Certain shareholders, including Pierre Alexandre, hold or control significant blocks of shares of the Company. The decision of any of these shareholders to sell a substantial number of Common Shares in the public market could result in a material imbalance in demand for the Company's shares and therefore a decline in the market price of the Common Shares. 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, 2011, the amount of the insurance coverage from EDC represents approximately 33% of the accounts receivable (53% in 2010).

As at June 30, 2011, 43% (55% as at June 30, 2010) of the trade accounts receivable are aged as current and 2% (5% as at June 30, 2010) of receivables are impaired.

One major customer represented 13% of the trade accounts receivable as at June 30, 2011 (for the period ended June 30, 2010, one major customer represented 10%).

In fiscal 2011, no major customer represents 10% or more of the contract revenue for the year (for the period ended June 30, 2010, one major customer represented 10% of the contract revenue for the year).

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, 2011, the Company has estimated that a one percentage point increase or decrease in interest rates would have caused a corresponding annual increase or decrease of approximately $0.1 million before income taxes (no significant impact in 2010).

Fair value

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

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

OUTLOOK

In both the short and long-term, the mining industry outlook remains positive, with increasing demand from developing countries providing the largest impetus. For instance, China now has a significant impact on global demand and commodity prices. The relative lack of new mineral discoveries, shortage of labour and other supply issues affecting traditional markets are all contributing to constraints in supply. However, mining companies generally have healthy balance sheets, which will allow the necessary investments to ramp-up production and exploration programs.

With this positive industry outlook, Orbit Garant expects utilization rates to remain high, which in turn will result in stronger pricing. The Company's subsidiary, Soudure Royale, can build rigs quickly, enabling Orbit Garant to continue to meet additional capacity requirements. However, the ability of the Company to improve margins will in part be a function of its success in managing a shortage of labour and related productivity issues. In this regard, Orbit Garant's driller and driller-helper Training Program will become increasingly important to the Company's success. In addition, technology improvements, a focus of the Company's acquisition of Advantage Control Technologies, will also be an important contributor to future profitability.

The Company continues to focus on improving its productivity and efficiency by providing additional training to its personnel and by continuously improving its operating processes. The Board of Directors has approved $15.0 million in property, plant and equipment for the 2012 fiscal year.

With its strong balance sheet, leading position in Quebec, and growing presence in Ontario through the Company's new office in Sudbury, Management believes Orbit Garant will continue its growth in fiscal 2012 and beyond. As the mining industry grows, and Canada continues to attract new spending, Orbit Garant intends to build on its organic growth in these target regions through its proven, targeted acquisition program.

SUPPLEMENTAL DISCLOSURE

This MD&A contains references to EBITDA (earnings before interest, taxes, depreciation and amortization). Management believes that EBITDA is a useful supplemental measure of operating performance prior to debt service, capital expenditures and income taxes. However, EBITDA is not a recognized earnings measure under GAAP and does 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 is 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 named 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 their 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, 2011, the CEO and 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, 2011.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's Chief Executive Officer ("CEO") and the Chief Financial Officer ("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 have inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

During fiscal 2011, 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, 2011, 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 Belair/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 Belair/Deloitte & Touche s.e.n.c.r.l. has full and free access to the Audit Committee.

Éric Alexandre, CMA
President and Chief Executive Officer

Alain Laplante, FCGA
Vice-President and Chief Financial Officer

Val-d'Or, Québec
September 21, 2011

INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Orbit Garant Drilling Inc.

We have audited the accompanying consolidated financial statements of Orbit Garant Drilling Inc., which comprise the consolidated balance sheets as at June 30, 2011 and 2010, and the consolidated statements of earnings and comprehensive income, retained earnings and contributed surplus and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Orbit Garant Drilling Inc. as at June 30, 2011 and 2010 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

September 21, 2011

Chartered accountant auditor permit n° 9138

CONSOLIDATED STATEMENT OF EARNINGS AND COMPREHENSIVE INCOME

For the years ended June 30, 2011 and 2010

(in thousands of dollars, except for earnings per share)	**June 30, 2011 $**	June 30, 2010 $
Contract revenue	**127,738**	109,958
Cost of contract revenue	**92,471**	76,335
Gross profit	**35,267**	33,623
Expenses		
General and administrative	**9,247**	6,567
Amortization of property, plant and equipment	**7,159**	5,455
Amortization of intangible assets	**1,510**	3,935
Foreign exchange losses	**41**	14
Gain on disposal of property, plant and equipment	**(126)**	(460)
Interest on long-term debt	**258**	230
Interest and bank charges	**182**	89
	18,271	15,830
Earnings before the following items	**16,996**	17,793
Share in net earnings of a company subject to significant influence	**225**	404
Gain on long-term investments	**209**	—
	434	404
Earnings before income taxes	**17,430**	18,197
Income taxes (Note 12)		
Current	**5,647**	6,959
Future	**(345)**	(1,349)
	5,302	5,610
Net earnings and comprehensive income	**12,128**	12,587
Earnings per share (Note 11)		
Basic	**0.37**	0.38
Diluted	**0.36**	0.38

See accompanying notes.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS AND CONTRIBUTED SURPLUS

For the years ended June 30, 2011 and 2010

(in thousands of dollars)	**June 30, 2011 $**	June 30, 2010 $
Statement of retained earnings		
Balance, beginning of year	**36,325**	23,738
Net earnings	**12,128**	12,587
Balance, end of year	**48,453**	36,325
Statement of contributed surplus		
Balance, beginning of year	**1,369**	900
Stock-based compensation to employees and directors (Note 11)	**581**	469
Fair value of stock option exercised	**(2)**	—
Balance, end of year	**1,948**	1,369

See accompanying notes.

CONSOLIDATED BALANCE SHEETS

As at June 30, 2011 and 2010

(in thousands of dollars)	**June 30, 2011 $**	June 30, 2010 $
Assets		
Current assets		
Cash	**—**	8,114
Accounts receivable	**33,081**	21,188
Accounts receivable related to disposal of long-term investments (Note 6)	**784**	—
Inventories	**33,646**	22,708
Income taxes receivable	**2,412**	2,351
Prepaid expenses	**689**	460
	70,612	54,821
Long-term investments (Note 6)	**—**	886
Property, plant and equipment (Note 7)	**43,223**	31,681
Goodwill	**21,061**	19,698
Intangible assets (Note 8)	**6,044**	1,374
	140,940	108,460
Liabilities		
Current liabilities		
Bank overdraft	**698**	—
Accounts payable and accrued liabilities	**18,135**	16,601
Client deposits	**453**	557
Accounts payable related to business acquisitions (Note 2)	**421**	—
Current portion of long-term debt (Note 9)	**168**	203
	19,875	17,361
Long-term debt (Note 9)	**14,673**	172
Future income taxes (Note 12)	**2,605**	1,335
	37,153	18,868
Shareholders' equity		
Share capital (Note 11)	**53,386**	51,898
Contributed surplus	**1,948**	1,369
Retained earnings	**48,453**	36,325
	103,787	89,592
	140,940	108,460

See accompanying notes.

Approved by the board

Eric Alexandre
Director

Jean-Yves Laliberté
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended June 30, 2011 and 2010

(in thousands of dollars)	**June 30, 2011 $**	June 30, 2010 $
Operating activities		
Net earnings	**12,128**	12,587
Items not affecting cash:		
Amortization of property, plant and equipment	**7,159**	5,455
Amortization of intangible assets	**1,510**	3,935
Gain on disposal of property, plant and equipment (Note7)	**(36)**	(96)
Gain on long-term investments	**(209)**	—
Stock-based compensation	**581**	469
Amortization of financing costs	**80**	70
Future income taxes	**(345)**	(1,349)
Share in net earnings of a company subject to significant influence less dividends	**(216)**	(364)
	20,652	20,707
Changes in non-cash operating working capital items (Note 13)	**(20,803)**	227
	(151)	20,934
Investing activities		
Business acquisition (less cash of $87) (Note 2)	**(6,176)**	—
Proceeds from long-term investment	**528**	—
Acquisition of property, plant and equipment	**(18,647)**	(13,996)
Proceeds from disposal of property, plant and equipment	**1,244**	1,063
	(23,051)	(12,933)
Financing activities		
Proceeds from issuance of shares	**4**	—
Proceeds from long-term debt	**21,507**	342
Repayment of long-term debt	**(7,121)**	(10,787)
	14,390	(10,445)
Decrease in cash and cash equivalents	**(8,812)**	(2,444)
Cash and cash equivalents, beginning of the year	**8,114**	10,558
Cash and cash equivalents (bank overdraft), end of the year	**(698)**	8,114

Additional information (Note 13)

See accompanying notes.

(in thousands of dollars, except for earnings per share and option data)

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 ACQUISITIONS

Acquisition of 1085820 Ontario Limited (Advantage Control Technologies):

On November 8, 2010, the Company acquired all issued and outstanding shares of 1085820 Ontario Limited (specialized in the development of new technologies for mineral drilling in Canada) for a total net consideration of $3,585 (excluding acquisition costs) payable for a cash consideration of $2,935 and $650 through the issuance of 132,743 common shares of the company. Furthermore, the Company will pay a cash consideration of $521 as compensation of the net working capital of the company on the acquisition date and an amount of $136 for acquisition costs. The account payable as compensation of the net working capital does not bear interest and will be paid ten days after the deliverance of the financial statements of 1085820 Ontario Limited. An amount of $4,280 has been accounted for as intangible assets.

Further to this transaction, the Company has also acquired some equipment related to this business for an amount of $375 payable in cash.

The purchase price of 1085820 Ontario Limited is subject to an adjustment of an amount up to $2,400 calculated on the achievement of specified earnings levels over the periods ended November 8, 2011, 2012 and 2013. When the specified earnings are achieved, a payable amount will be accounted for as an increase of goodwill or intangible assets.

Acquisition of Morris Drilling Inc.:

On December 13, 2010, the Company acquired all issued and outstanding shares of Morris Drilling Inc. (doing a surface diamond drilling business in Canada) for a total net consideration of $3,426 (excluding acquisition costs) payable for a cash consideration of $2,595 and $831 through the issuance of 173,010 common shares of the company. Furthermore, the Company will receive a cash consideration of $100 as compensation of the net working capital of the company on the acquisition date and will pay an amount of $222 for acquisition costs. The account receivable as compensation of the net working capital does not bear interest and will be received ten days after the deliverance of the financial statements of Morris Drilling Inc. An amount of $1,900 has been accounted for as intangible assets and $1,363 as goodwill.

The results of operations of 1085820 Ontario Limited and Morris Drilling Inc. are included in the consolidated financial statements from November 8, 2010 and December 13, 2010, respectively.

On January 1, 2011, Morris Drilling mergered with 1085820 Ontario Inc. and on February 8, 2011, the legal corporate name of 1085820 Ontario Limited has been changed for Orbit Garant Ontario Inc.

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

	Total $
Cash	87
Current assets	2,187
Property, plan and equipment	1,262
Goodwill	1,363
Intangible assets	6,180
Current liabilities	(1,299)
Future income taxes	(1,614)
Purchase price	8,166
Consideration	
Cash (including acquisition costs of $358)	6,263
Issuance of common shares	1,482
Accounts payable related to net working capital adjustment	421
	8,166

3. 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 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 therefore the transition date for the Company is July 1, 2011. This will require the restatement, for comparative purposes, of amounts reported by the Company for its year ended June 30, 2011 and of the opening balance sheet as at July 1, 2010. The Company will convert to these new standards according to the timetable set with these new rules.

The Company has established a conversion and implementation plan to ensure the timely conversion to IFRS.

4. 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 include the accounts of the Company and its wholly-owned subsidiaries as follows:

Orbit Garant Drilling Services Inc. (a)
9116-9300 Québec Inc.
Orbit Garant Ontario Inc.
Drift Exploration Drilling Inc.
Drift de Mexico SACV
Forage Orbit Inc.
9129-5642 Québec Inc.

(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 to 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
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 to 10 years

Cost of repairs and maintenance are charged to operations as incurred. Significant improvements are capitalized and amortized over the useful life of the asset.

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
Drilling technology	60 months
Non-compete agreement	36 and 60 months

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 using the Black-Scholes option pricing model 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.

5. INVENTORY

The cost of inventory recognized as an expense and included in cost of contract revenue for the year ended June 30, 2011 was $27,097 (June 30, 2010, $23,324). 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 are in part secured by a general assignment of the Company's inventory.

6. LONG-TERM INVESTMENTS

	June 30 2011 $	June 30 2010 $
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
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
	—	886

(in thousands of dollars, except for earnings per share and option data)

7. PROPERTY, PLANT AND EQUIPMENT

	Cost $	Accumulated amortization $	**Net book value June 30, 2011 $**
Land	730	—	**730**
Parking	20	19	**1**
Buildings	8,480	172	**8,308**
Office equipment	748	219	**529**
Drilling equipment	42,190	17,242	**24,948**
Machinery and equipment	1,580	458	**1,122**
Computer equipment	1,195	663	**532**
Vehicles	11,163	4,244	**6,919**
Leasehold improvements	167	33	**134**
	66,273	23,050	**43,223**

	Cost $	Accumulated amortization $	Net book value June 30, 2010 $
Land	761	—	761
Parking	20	15	5
Buildings	2,808	144	2,664
Office equipment	224	116	108
Drilling equipment	32,422	11,122	21,300
Machinery and equipment	616	284	332
Computer equipment	967	467	500
Vehicles	8,519	2,751	5,768
Leasehold improvements	317	74	243
	46,654	14,973	31,681

The gain on disposal of property, plant and equipment totaling $36 ($96 in 2010) consists of $126 ($460 in 2010) presented as a gain separately in the statement of earnings and a loss of $90 ($364 in 2010) included in cost of contract revenue.

8. INTANGIBLE ASSETS

	Cost $	Accumulated amortization $	**Net book value June 30, 2011** **$**
Intangible assets, limited life:			
Customer relationship	16,950	14,284	**2,666**
Drilling technology (a)	2,884	—	**2,884**
Non-compete agreement	2,480	1,986	**494**
	22,314	16,270	**6,044**

	Cost $	Accumulated amortization $	Net book value June 30, 2010 $
Intangible assets, limited life:			
Customer relationship	14,024	13,258	766
Non-compete agreement	2,110	1,502	608
	16,134	14,760	1,374

(a) The drilling technology has not been amortized during the year ended June 30, 2011.

9. LONG-TERM DEBT

	June 30 2011 **$**	June 30 2010 $
Loan authorized for a maximum amount of $40 million, bearing interest at prime rate plus 0.5%, maturing May 2015, secured by first rank hypothec on the universality of all present and future assets (a) (b)	**14,618**	—
Loans, bearing interest at rates ranging from 0% to 1%, payable in monthly instalments of $19, maturing in August 2013, secured by certain vehicles of a net book value of $550	**223**	375
	14,841	375
Current portion	**(168)**	(203)
	14,673	172

(a) The rate is variable based on the quarterly calculation of a financial ratio and can vary from prime rate plus 0.5% to 1.50%. As per certain conditions, the credit facility can be increased by an amount of $20 million up to a maximum authorized amount of $60 million.

(b) An unamortized amount of $276, representing financing fees has been presented in deduction of the long-term debt. This amount is being amortized to earnings over the term of the debt, using the effective interest method.

Under the terms of the long-term debt agreement, the Company must satisfy certain restrictive covenants as to minimum financial ratios (see Note 10).

On June 30, 2011, the prime rate was 3% (June 30, 2010, 2.50%).

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

	$
2012	168
2013	51
2014	4
2015	14,894

(in thousands of dollars, except for earnings per share and option data)

10. CAPITAL MANAGEMENT

The Company includes shareholders' equity, long-term debt and bank overdraft net of cash in the definition of capital.

Total managed capital was as follows:

	June 30 2011 $	June 30 2010 $
Bank overdraft	**698**	—
Long-term debt	**14,841**	375
Share capital	**53,386**	51,898
Contributed surplus	**1,948**	1,369
Retained earnings	**48,453**	36,325
Cash	**—**	(8,114)
	119,326	81,853

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.

11. 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, 2011		June 30, 2010	
	Number of shares	$	Number of shares	$
Balance, beginning of the year	**32,738,684**	**51,918**	32,738,684	51,918
Shares issued:				
For business acquisition (a)	**305,753**	**1,482**	—	—
Stock option exercised	**4,500**	**6**	—	—
	33,048,937	**53,406**	32,738,684	51,918
Share purchase financing (b)	**—**	**(20)**	—	(20)
Balance, end of the year	**33,048,937**	**53,386**	32,738,684	51,898

(a) Issuance during the year ended June 30, 2011:

In November and December 2010, the Company issued a total of 305,753 common shares for a total amount of $1,482 as part of the consideration for the acquisitions of 1085820 Ontario Limited and Morris Drilling 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 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, 2011, the fair value of the securities is $74 .

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 2011 $	June 30 2010 $
Earnings per share – basic		
Net earnings available to common shareholders	**12,128**	12,587
Weighted average basic number of common shares outstanding	**32,918,727**	32,738,684
Earnings per share – basic	**0.37**	0.38
Earnings per share – diluted		
Net earnings available to common shareholders	**12,128**	12,587
Weighted average basic number of common shares outstanding	**32,918,727**	32,738,684
Adjustment to average number of common shares – stock options	**851,336**	709,830
Weighted average diluted number of common shares outstanding	**33,770,063**	33,448,514
Earnings per share – diluted	**0.36**	0.38

The calculation of the diluted earnings per share for the year ended June 30, 2011 excludes the effect of 365,000 options (925,000 in 2010) 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.

(in thousands of dollars, except for earnings per share and option data)

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, 2010	1,973,000	2.42
Granted during the year	365,000	5.73
Exercised during the year	(4,500)	1.00
Outstanding as of June 30, 2011	2,333,500	2.94
Exercisable as at June 30, 2011	1,478,500	1.90

The following table summarized information on stock options outstanding at June 30, 2011:

Range of exercice prices $	Outstanding at June 30, 2011	Weighted average remaining life (years)	Weighted average exercice price $	Exercisable at June 30, 2011	Weighted average exercice price $
1.00–1.50	1,043,500	5.63	1.02	1,043,500	1.02
4.00	925,000	7.44	4.00	435,000	4.00
5.65–6.02	365,000	6.42	5.73	—	
	2,333,500			1,478,500	

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 February 2011	Granted in November 2010
Risk-free interest rate	**2.31%**	1.84%
Expected life (years)	**5**	5
Expected volatility	**67.96%**	68.88%
Expected dividend yield	**0%**	0%
Fair value of options granted	**$ 3.45**	$ 3.17

During the year ended June 30, 2011, the total expense related to stock-based compensation to employees and directors amounting to $581 has been recorded and presented in general and administrative expenses ($469 for the year ended June 30, 2010).

12. INCOME TAXES

Income tax expense comprises the following:

	June 30 2011 $	June 30 2010 $
Current	**5,647**	6,959
Future	**(345)**	(1,349)
	5,302	5,610

Income tax expense differs from the amounts calculated by applying Canadian statutory rates (federal and provincial) of 29.2% (2010, 31.06%) to the earnings before income taxes as follows:

	June 30 2011 $	June 30 2010 $
Earnings before income taxes	**17,430**	18,197
Income taxes based on statutory rates	**5,090**	5,652
Increase (decrease) of income taxes due to the following:		
Non-deductible expenses	**103**	39
Non-deductible stock-based compensation expense	**170**	146
Non-taxable share in net earnings of a company subject to significant influence	**(66)**	(126)
Effect of corporate tax rate modification and prior year adjustments	**74**	(55)
Non-taxable portion of capital gain	**(69)**	(46)
Total income taxes	**5,302**	5,610

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 2011 $	June 30 2010 $
Future income tax assets:		
Share issue costs	**216**	444
Long-term investments	**13**	13
Total future income tax assets	**229**	457
Future income tax liabilities:		
Property, plant and equipment	**1,121**	1,313
Intangible assets	**1,713**	479
Total future income tax liabilities	**2,834**	1,792
Net future income tax liabilities	**2,605**	1,335

13. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

Changes in non-cash operating working capital items

	June 30 2011 $	June 30 2010 $
Accounts receivable	**(10,577)**	1,495
Inventories	**(10,068)**	(3,038)
Income taxes receivable	**(109)**	(2,351)
Prepaid expenses	**(228)**	(136)
Accounts payable and accrued liabilities	**297**	5,959
Client deposits	**(118)**	209
Income taxes payable	**—**	(1,911)
	(20,803)	227
Other information		
Interest paid	**440**	319
Income taxes paid	**10,411**	11,221

(in thousands of dollars, except for earnings per share and option data)

14. COMMITMENTS

The Company has entered into lease agreements expiring in 2013 which call for lease payments of $76 for the rental of vehicles. The Company has also entered into lease agreements expiring in 2020 for minimum lease payments of $1,670. The minimum lease payments under lease agreements for the next five years are detailed as follows:

	$
2012	217
2013	207
2014	186
2015	178
2016	178

Furthermore, the Company has entered into an agreement to purchase from a supplier, a total of $2.5 million in products or drilling services, no later than January 31, 2013.

15. RELATED PARTY TRANSACTIONS

The Company is related to 2867-3820 Québec Inc., a company owned by a director.

The Company was related to 6483976 Canada Inc. (Usinage X-SPEC) until January 31, 2011 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 2011 $	June 30 2010 $
Sales	**47**	87
Purchases	**1,267**	1,982
Rent	**95**	108
General and administrative expenses	**—**	35

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.

As at June 30, 2011, accounts payable and accrued liabilities are negligible in relation to these transactions, compared to $0.7 million as at June 30, 2010.

16. 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, 2011, the Company has cash in US dollars for an amount of $296 (June 30, 2010, $228) and accounts receivable in US dollars for an amount of $388 (June 30, 2010, $516).

As at June 30, 2011, 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 $18 (June 30, 2010, $23).

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, 2011, the amount of the insurance coverage from EDC represents approximately 32.7% of the accounts receivable (53% in 2010).

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, 2011, 43% (54.9% in 2010) of the trade accounts receivable are aged as current and 2% (5% in 2010) of receivables are impaired.

One major customer represents 13% of the trade accounts receivable as at June 30, 2011 (June 30, 2010, one major customer represents 10%).

No major customer represents more than 10% of the contract revenue for the year ended June 30, 2011 (June 30, 2010, one major customer represents 10%).

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, 2011, the Company has estimated that a one percentage point increase or decrease in interest rates would have caused a corresponding annual increase or decrease in net earnings of approximately $105 (no significant impact in 2010).

Fair value

The fair value of cash, accounts receivable, accounts receivable related from disposal of long-term investments, bank overdraft, accounts payable and accrued liabilities, accounts payable related to business acquisitions 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. In Note 9 are details of undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

	Total $	0–1 year $	2–3 years $	4–5 years $
Client deposits	453	453	—	—
Accounts payable and accrued charges	18,135	18,135	—	—
Accounts payable related to business acquisitions	421	421	—	—
Long-term debt (capital only)	15,117	168	55	14,894
	34,126	19,177	55	14,894

(in thousands of dollars, except for earnings per share and option data)

17. 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 2011 $	June 30 2010 $
Contract revenue		
Drilling Canada	**105,641**	99,090
Drilling International	**19,013**	10,224
Manufacturing Canada	**10,733**	7,498
Elimination – Manufacturing Canada	**(7,649)**	(6,854)
	127,738	109,958
Gross profit		
Drilling Canada	**23,393**	28,661
Drilling International	**10,822**	4,636
Manufacturing Canada	**1,052**	326
	35,267	33,623
Interest	**440**	319
General corporate expenses	**17,397**	15,107
Income taxes	**5,302**	5,610
	23,139	21,036
Net earnings	**12,128**	12,587
Identifiable assets		
Drilling and Manufacturing Canada	**128,345**	100,764
Drilling International	**12,595**	7,696
	140,940	108,460
Property, plant and equipment		
Drilling and Manufacturing Canada	**39,415**	28,210
Drilling International	**3,808**	3,471
	43,223	31,681
Amortization		
Drilling and Manufacturing Canada	**7,806**	8,744
Drilling International	**863**	646
	8,669	9,390

18. COMPARATIVE FIGURES

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

Directors

Guthrie J. Stewart[1]
Chairman of the Board of Directors, Orbit Garant Drilling Inc.

William N. Gula[1,2]
Managing Director, Morrison Park Advisors

Patrick Godin[1,2*]
Chief Operating Officer,
Stornoway Diamond Corp.

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

Edmund Stuart[2]
President, Brannach Services Inc.

Pierre Alexandre
Vice Chairman, Orbit Garant Drilling Inc.

Eric Alexandre
President and Chief Executive Officer, Orbit Garant Drilling Inc.

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

Officers

Pierre Alexandre
Vice Chairman

Eric Alexandre
President and Chief Executive Officer

Alain Laplante
Vice President and Chief Financial Officer

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Stock Exchange Listing
Toronto Stock Exchange
Trading Symbol: OGD

Common Shares Outstanding
33,048,937 (as at June 30, 2011)

General Counsel
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Auditors
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Annual Meeting
November 17, 2011, 10:00 a.m.
Fairmount Queen Elizabeth, Ramezay Room
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