FORAGE ORBIT GARANT DRILLING

2012 ANNUAL REPORT





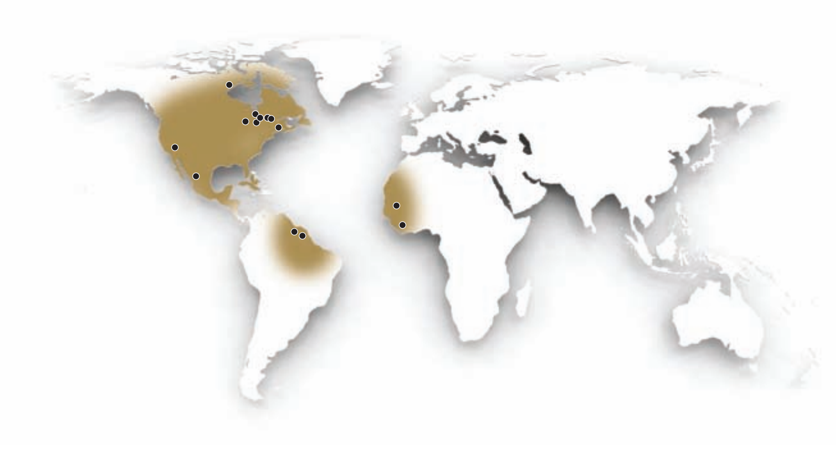

Expanding our Horizons

Corporate Profile

Headquartered in Val-d'Or, Quebec, **Orbit Garant Drilling Inc. (TSX: OGD)** is one of the largest Canadian-based mineral drilling companies, providing both underground and surface drilling services in Canada and internationally through its 224 drills and approximately 950 employees. Orbit Garant provides services to major, intermediate and junior mining companies, through each stage of mining exploration, development and production. The Company also provides geotechnical drilling services to mining or mineral exploration companies, engineering and environmental consultant firms, and government agencies. Orbit Garant's subsidiary, Soudure Royale, manufactures custom drill rigs for conventional and specialized drilling projects.

Operating ~ 40 project sites

- Canada, US, Mexico, South America, West Africa
- Dominant presence in Quebec
- Expanding presence in Ontario, Atlantic Canada and Nunavut
- Increased focus on international opportunities



Our Mission

Provide advanced mineral and geotechnical drilling services and state-of-the-art products for customers in Canada and around the world. Maintain the expertise, innovation and capabilities necessary to address the evolving needs of our customers.

Our Vision

Be the reference point for best in class within the mineral drilling industry for our employees, customers, investors and business partners.

Our Values

Team Work: Prioritize and facilitate the exchange of knowledge and expertise to maximize personal contribution to the success of each project.

Respect: Establish and maintain relationships between our employees, customers and business partners, based on transparency, honesty, integrity, confidence and awareness.

Health and Safety: Ensure that our employees benefit from a proper and secure working environment through preventive training programs and effective risk management.

Quality: Offer adapted services and products specified to the needs of our customers according to the highest industrial standards.

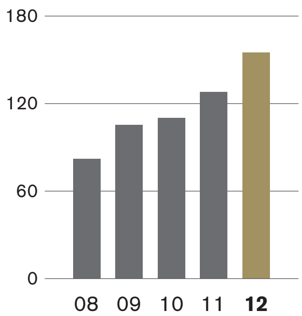
Innovation: Develop new methods and technologies to remain a leader in the drilling services and products industry.

Contents

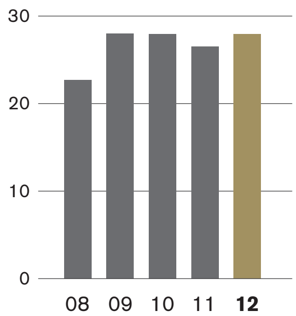
Financial Highlights

(Fiscal years ended June 30)

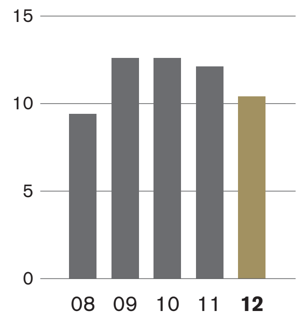
Revenue
($ millions)



EBITDA
($ millions)



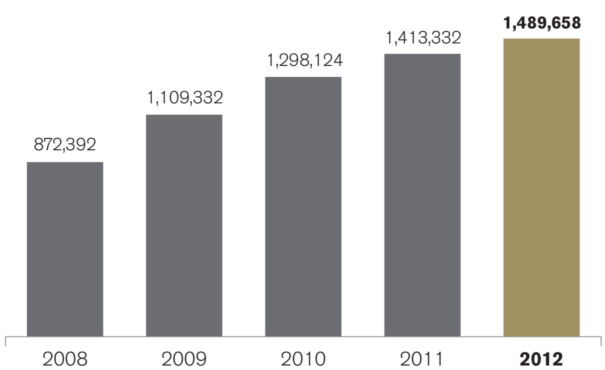
Net Earnings
($ millions)



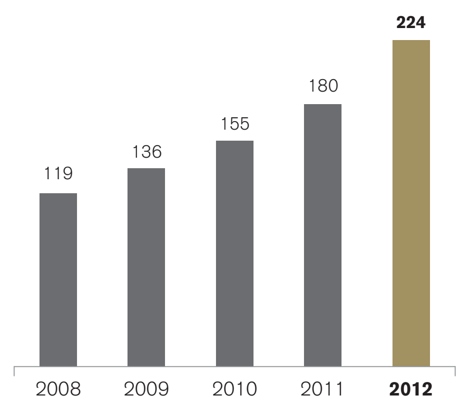
2012 Operating Highlights

- Record metres drilled at 1.5 million metres
- Acquisition of New Brunswick–based Lantech Drilling Services Inc.
- Drill fleet expanded to 224 drill rigs, up from 180 drill rigs at the end of fiscal 2011
- Capital expenditures of $18.4 million to support increased business activity

Metres Drilled



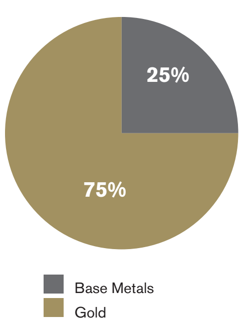
Number of Rigs



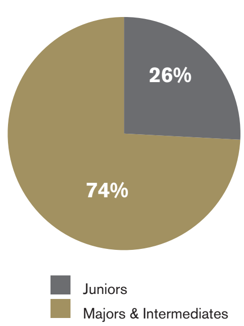
2012 Revenue Mix

(Fiscal year ended June 30, 2012)

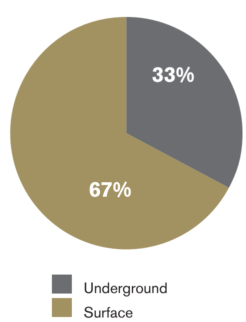
Resources



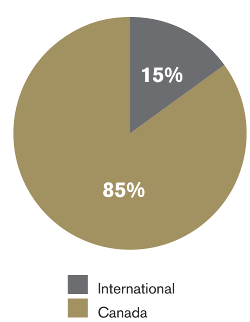
Customers



Drilling



Regions



Chairman's message

Guthrie J. Stewart
Chairman of the Board

On behalf of the Board of Directors, I am pleased to present Orbit Garant's fiscal 2012 Annual Report. The theme of this year's report, "Expanding Our Horizons," reflects Orbit Garant's continuing development as a leading Canadian-based mineral drilling company.

Through our acquisition of Lantech Drilling in our fiscal 2012 second quarter, we opened a gateway to the African mineral drilling market, established a new operational hub in Atlantic Canada, and enhanced our core services with the addition of iron ore and geotechnical drilling expertise. These are just three of several important initiatives we have undertaken to enhance our service offering, build our capacity and broaden our market opportunities.

Over the past two fiscal years, Orbit Garant invested an aggregate of $44.8 million in capital initiatives to support our growth. These investments were deployed on:

- expanding our drill fleet, with a total of 32 new drill rigs produced by our manufacturing subsidiary, Soudure Royale;
- the construction of a new head office in Val-d'Or, consolidating all operations in a new, expanded facility, better suited to our needs;
- the acquisitions of Morris Drilling and Lantech Drilling, which cumulatively added another 37 drill rigs to the Orbit Garant fleet; and,
- the acquisition of Advantage Control Technologies, which provided the computerized drilling control and monitoring solutions technology we are currently implementing in the Company's fleet.

Orbit Garant has made these investments to ensure we have the capacity to meet the demand for our services, but also, and especially with the new computerized drilling technology, to demonstrate our commitment to be an industry leader.

While Orbit Garant continued its track record of consistent revenue growth in fiscal 2012, our profitability was negatively impacted by a decline in drill rig utilization rates in the second half of the fiscal year. It now appears that we are heading into a period of softening demand, as uncertainty in the financial markets has constrained many of Orbit Garant's junior mining company customers in their efforts to access capital to sustain their exploration activities. While we are monitoring market conditions closely and managing our capital expenditures closely as a result, we remain committed as a company to building on our strengths and being well positioned for future opportunities.

Orbit Garant has gone through a period of rapid growth that has added capacity to our core strengths and given ourselves the ability to seek new market opportunities and expand our horizons. We strongly believe we are well positioned to exploit our greater scale, capabilities and opportunities to build value for our stakeholders. In the year ahead, Orbit Garant's senior management will focus on optimizing capacity utilization and increasing productivity in a determined effort to improve profitability. We will continue to pursue strategic growth opportunities. One area Orbit Garant intends to be more aggressive in is building our international business either through organic initiatives or, if the conditions are right, acquisitions.

In closing, I would like to firstly recognize the enormous efforts of the entire Orbit Garant team in managing the Company's growth and now consolidating our gains. And I also wish to recognize my fellow directors – Pierre Alexandre, Patrick Godin, William Gula, Jean-Yves Laliberté and Edmund Stuart – for their guidance and devoted contributions in supporting the success of Orbit Garant. Your Board of Directors is committed to ensuring Orbit Garant achieves its potential. Thank you for your support.

Guthrie J. Stewart
CHAIRMAN OF THE BOARD

President and CEO's message

Eric Alexandre

President and
Chief Executive Officer

In fiscal 2012 Orbit Garant achieved its fifth consecutive year of revenue growth since becoming a public company in 2008. We drilled 1.5 million metres in fiscal 2012 – a new high – and generated record revenue of $154.8 million, up 21.2% from fiscal 2011. Our revenue growth was driven by new drilling contracts, higher average revenue per metre drilled and our acquisition of Lantech Drilling Inc. during our second quarter. However, our gross margins and net earnings declined in fiscal 2012, as we experienced lower than expected utilization rates in the second half of the year, due to unseasonably warm temperatures in March, which impacted our drilling activities in Quebec and Ontario; and a decline in our junior mining company customers' drilling activity in our fourth quarter.

While we currently generate approximately 74% of revenue from senior and intermediate mining companies, our junior mining company customers remain an important part of our business mix. The second half of our fiscal 2012 year proved to be a difficult environment for our junior customers to access capital, and as a result some of these customers suspended or scaled back their exploration programs.

Our senior and intermediate customers continue to be very active and indications are that they intend to remain active. Further, we currently derive approximately 75% of our revenue from gold-related projects, and gold remains at historically high prices, which should support continued, active exploration and development. We entered fiscal 2013 with 70% of our capacity booked for the year.

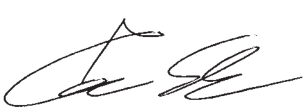
Our acquisition of New Brunswick–based Lantech Drilling not only enhances our core strengths but also expands our horizons in support of our long-term growth:

- providing Orbit Garant with a new operational hub in Eastern Canada;
- adding 32 drill rigs to our fleet;
- strengthening our team with highly skilled management, drillers and field technicians;
- bringing us new expertise in iron ore drilling and geotechnical services;
- expanding our customer base; and
- establishing for Orbit Garant a strategic entry point in the higher-margin mineral drilling market in West Africa.

We believe our computerized drilling control and monitoring solutions will be an important contributor to reducing both the labour and the consumable component costs of our mineral drilling operations going forward, and to enhancing productivity. Direct customer benefits of the technology include real-time visibility of drilling progress and core samples via the internet, improved accuracy and consistency of results, and detailed performance reports on demand. By the end of fiscal 2013, we expect to have at least 30 drill rigs featuring our computerized monitoring and control technology.

Despite current global economic uncertainties, we believe the longer term fundamentals of our business remain positive. We have invested significantly in our growth platform over the past 24 months, enhancing our capacity, our services and our geographic market presence. We have fortified our core strengths and expanded our horizons. Looking ahead, we will focus on the aspects of our business that are in our control, including improving our productivity, increasing utilization rates, containing costs and building value for our customers. At year-end, we had $60.3 million in working capital and access to a revolving credit line with a major chartered bank, so we have the financial flexibility to pursue strategic growth opportunities in Canada and internationally as they arise.

In closing, I would like to thank our employees for their dedication, teamwork and commitment to our shared values. I am proud of their contributions. And to our shareholders, thank you for your continued support.



Eric Alexandre
PRESIDENT AND CEO

COMPUTERIZED CONTROL & MONITORING SOLUTIONS

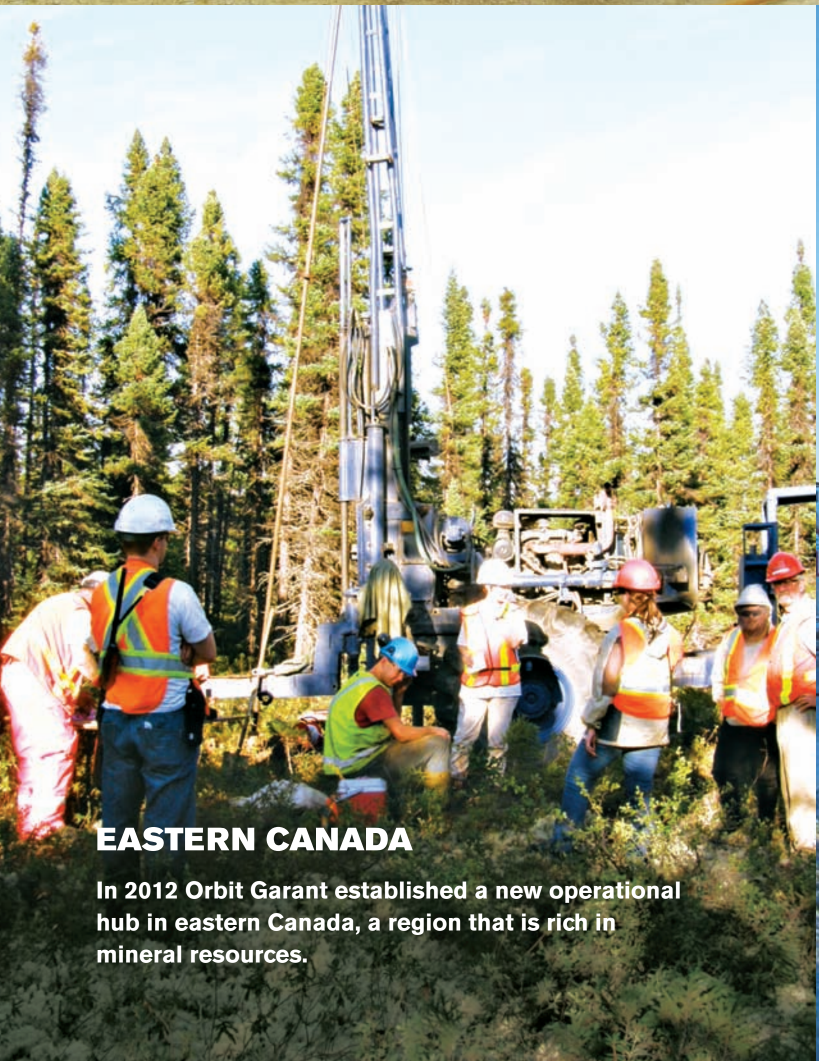
Our computerized monitoring and control technology reduces both the labour and consumables costs of mineral drilling, and improves safety. Further, our trial results to date demonstrate that experienced drillers using the technology can significantly increase productivity, and that less experienced drillers can more rapidly improve their productivity, compared to conventional drilling rigs. Direct customer benefits of the technology include real-time visibility of drilling progress and core samples via the internet, improved accuracy and consistency of results, and detailed performance reports on demand.

We expect to have at least 30 drill rigs featuring our computerized monitoring and control technology by the end of fiscal 2013.

Expanding our Horizons

AFRICAN MARKET ENTRY

The acquisition of Lantech Drilling has provided Orbit Garant with a strategic entry point to the higher margin mineral drilling market in West Africa. We plan to leverage Lantech Drilling's established base of mineral drilling and geotechnical services operations in West Africa to pursue business development opportunities in both West and South Africa.



EASTERN CANADA

In 2012 Orbit Garant established a new operational hub in eastern Canada, a region that is rich in mineral resources.

NUNAVUT PROJECTS

Nunavut is a rapidly growing region for mineral resource exploration and development. Orbit Garant is developing a strong reputation as a reliable drilling services provider in one of the world's most extreme climates.

IRON ORE

Through our acquisition of Lantech Drilling, Orbit Garant is now providing iron ore drilling services for mining industry majors in Canada and West Africa

GEOTECHNICAL DRILLING

We have added geotechnical drilling expertise to our service offering through our acquisition of Lantech Drilling. Geotechnical drilling is used to assess soil or rock formations to interpret site geology and structural conditions on a site in preparation for construction of infrastructure such as bridges, roads, and buildings. Our geotechnical drilling services can also be used for environmental assessments.

Core Strengths

SPECIALIZED DRILLING

Orbit Garant's specialized drilling services can handle complex underground projects, larger diameter holes, and deeper holes and can accommodate remote projects that require heli-portable drilling. Specialized drilling currently accounts for approximately 60% of our revenue. This further adds stability to our business, because the contracts are typically longer term and involve greater switching costs to customers.

HEALTH & SAFETY

Workplace safety is a top priority for Orbit Garant. We are continuously looking for ways to improve preventive measures through our training programs. Our workplace health and safety department disseminates critical safety information and monitors compliance with policies throughout our organization. Workplace safety is of paramount importance to us and our customers. Our commitment is to work together with all concerned to improve prevention mechanisms, training programs and policy compliance to ensure maximum productivity.

VERTICAL INTEGRATION

Our manufacturing subsidiary, Soudure Royale, provides us with a competitive advantage, as we can build a custom drill rig in about two weeks' time, for about half the cost of purchasing from an external supplier. Soudure Royale also performs rig maintenance services to support optimum utilization rates and manufactures support equipment and consumables. Soudure Royale can also manufacture conventional drills for third parties.

DRILLER TRAINING

Operational efficiency in the mineral drilling industry is directly correlated to the quality of a company's labour force and the productivity and safety of its drillers. Orbit Garant provides a comprehensive, custom training program for drillers, driller-helpers and foremen to keep pace with the increasing demand for its services. The Company's training program stresses quality control, performance, environmental stewardship and a focus on safety.

CORPORATE SOCIAL RESPONSIBILITY

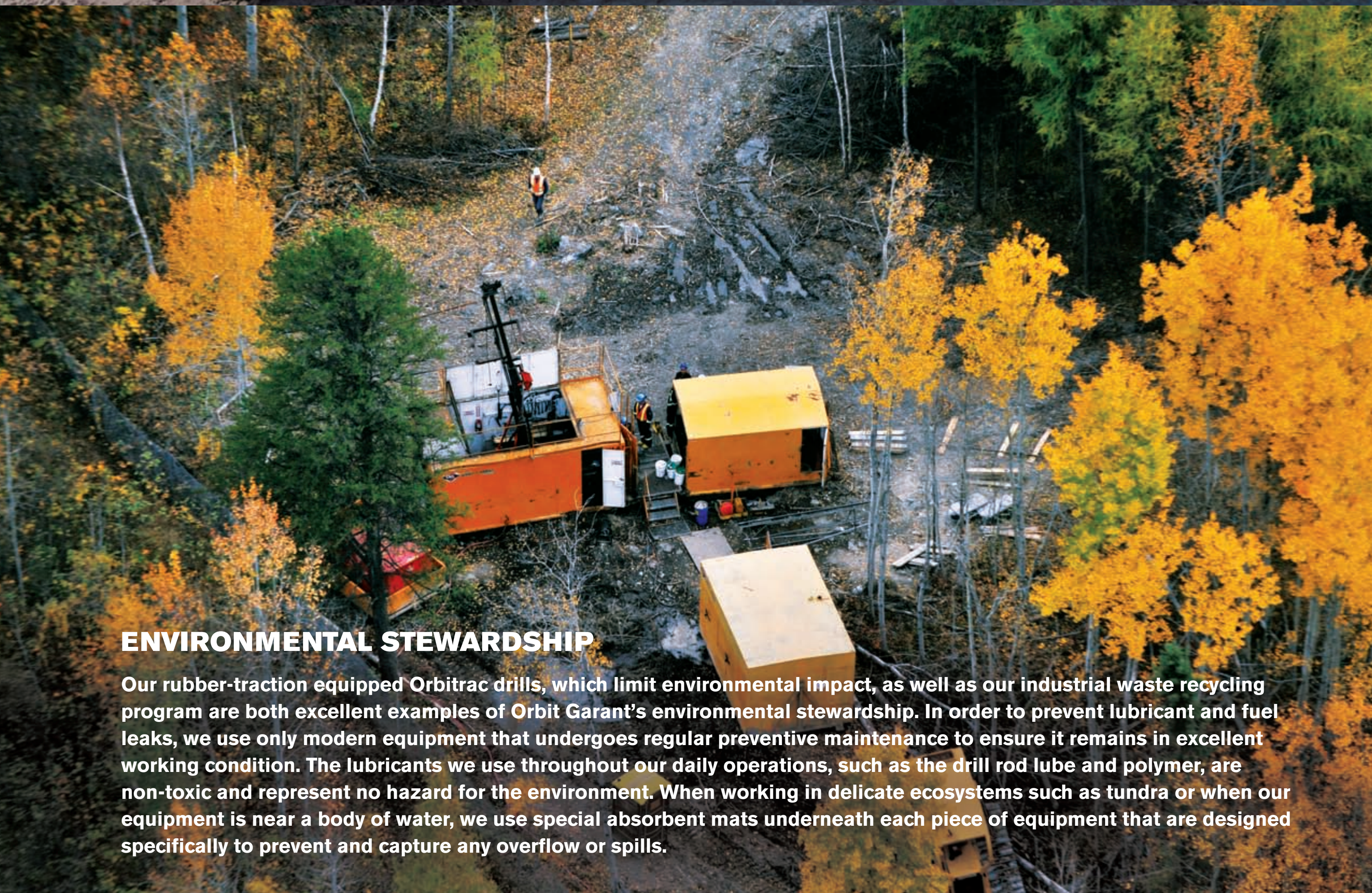
Orbit Garant is committed to building strong relationships within the communities in which we operate. In April 2012, the Val-d'Or Chamber of Commerce named Orbit Garant "Business of the Year" in recognition of our role in supporting the ongoing socio-economic development of Val-d'Or and its surrounding communities.

We are also active in First Nations, Inuit and northern Canadian communities to foster sustainable economic development and skills training for local residents. We have a strong track record of working in partnership with northern communities and aboriginal peoples and are actively seeking opportunities to expand our involvement. Orbit Garant ensures that these relationships are based on shared interests, including mutual economic benefit, high standards in health and safety, and responsible environmental stewardship.

Orbit Garant believes that environmental protection is vital to the quality of life for present and future generations. Our environmental policy rests upon our belief that our ambitious ecological standards foster value creation and innovation.

STRATEGIC PARTNERSHIPS

In 2011, Orbit Garant partnered with the Canadian and Nunavut governments, regional Inuit associations, local colleges and other resource industry companies in support of the launch of the Arviat Diamond Driller's Training Program. In its inaugural year, the Program certified 18 new graduates, a number of whom are now working with Orbit Garant on projects in Nunavut. Orbit Garant has entered into other strategic partnerships, including: Rainy Lake Tribal Contracting Ltd., to work on projects in Northwestern Ontario; Promec Nunavik Inc., to develop business in the Nunavik region in Northern Quebec; and Sarliaq Holdings Ltd., to develop joint business opportunities in Nunavut.



ENVIRONMENTAL STEWARDSHIP

Our rubber-traction equipped Orbitrac drills, which limit environmental impact, as well as our industrial waste recycling program are both excellent examples of Orbit Garant's environmental stewardship. In order to prevent lubricant and fuel leaks, we use only modern equipment that undergoes regular preventive maintenance to ensure it remains in excellent working condition. The lubricants we use throughout our daily operations, such as the drill rod lube and polymer, are non-toxic and represent no hazard for the environment. When working in delicate ecosystems such as tundra or when our equipment is near a body of water, we use special absorbent mats underneath each piece of equipment that are designed specifically to prevent and capture any overflow or spills.

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, 2012 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, 2011.

The Company's 2012 audited consolidated financial statements and the accompanying notes will form part of the first annual audited consolidated financial statements to be prepared in accordance with International Financial Reporting Standards ("IFRS") for the fiscal year ending June 30, 2012. The changes are described under "Transition to IFRS" further in the report. 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 19, 2012. 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.

HIGHLIGHTS

- Revenue increased 21.2% to $154.8 million in fiscal 2012, compared to $127.7 million in fiscal 2011
- Record metres drilled at 1.5 million metres, up from 1.4 million metres in fiscal 2011
- Adjusted gross margin (excluding amortization expense) of 27.3%, compared to 27.6% in fiscal 2011
- EBITDA increased to $27.9 million from $26.0 million in fiscal 2011
- Earnings per share of $0.31 ($0.30 per share diluted), compared to $0.35 ($0.34 per share diluted) in fiscal 2011
- Acquisition of New Brunswick-based Lantech Drilling Services Inc.
- Drill fleet expanded to 224 drill rigs, up from 180 drill rigs at the end of fiscal 2011
- Capital expenditures of $18.4 million to support increased business activity

CORPORATE OVERVIEW

From its head office in Val-d'Or, Quebec, Orbit Garant, with approximately 950 employees, manages a fleet of 224 drilling rigs that provide surface and underground services to the mining and exploration industry in Canada and internationally.

In the second quarter of fiscal 2012, the Company acquired all the issued and outstanding shares of Lantech Drilling Services Inc. ("Lantech Drilling"), a company that specializes in exploration and geotechnical services to mining or mineral exploration companies, as well as engineering and environmental consultant firms.

Orbit Garant has an 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.

The Company has two operating segments: Drilling Canada (including domestic surface drilling, underground drilling and manufacturing Canada) and Drilling International. The results of operations of Lantech Drilling are included in both operating segments in fiscal 2012.

For the twelve-month period ended June 30, 2012 ("Fiscal 2012"):

- Specialized drilling services, which typically generate a higher gross margin than conventional drilling services, accounted for approximately 60% of the Company's total revenue.
- Approximately 75% of the Company's revenues were generated by gold related operations, and approximately 25% were generated by base metal related and other operations.
- The Company's surface and underground drilling services accounted for approximately 65% and 32% respectively, of the Company's revenue. The manufacturing division accounted for the remaining 3% of revenue.
- 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 in the Americas and Liberia and Mauritania in West Africa. Approximately 92% of the Company's revenue was in Canadian dollars, which provides greater stability.
- Approximately 74% of Orbit Garant's customers were major and intermediate-sized mining companies, with which the Company has contracts up to three years in length.

BUSINESS STRATEGY

Orbit Garant's goal is to be a leading Canadian-based mineral drilling company, while pursuing international opportunities, 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 strategies:

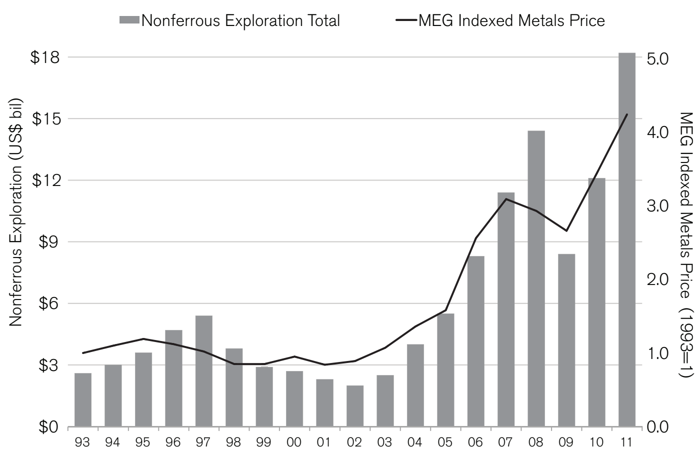
- Focus primarily on major and well financed intermediate mining and exploration companies operating in stable jurisdictions;
- Provide conventional, specialized and geotechnical drilling services;
- Manufacture drills and equipment to fit the needs of customers;
- Maintain a strong commitment to R&D and advanced drilling technologies, such as the Company's current implementation of computerized and control technologies;
- Provide training courses for the Company's personnel to continuously improve labour efficiency and ensure the availability of a skilled labour force;
- Maintain a high level of safety standards in the work environment, and promote protection of the environment;
- Establish and maintain long-term relationships with customers;
- Cross-sell drilling services to existing customers;
- Expand its bases of operations in strategic regions; and
- Evaluate strategic acquisition opportunities to enhance value for the Company's stakeholders.

INDUSTRY OVERVIEW

Demand for services in the mineral drilling industry is driven by conditions in the global ferrous (iron) and non-ferrous (precious and base metals) metals markets. The strength of demand is primarily determined by price levels for ferrous and non-ferrous metals and the availability of capital to finance exploration and development programs and/or ongoing mining operations. Despite current global economic uncertainties and market volatility, metals prices remain generally favourable. There is also uncertainty surrounding future commodity prices. Gold prices are currently in excess of US$1,700 an ounce, which is positive for Orbit Garant as approximately 75% of its revenue is currently derived from gold related projects. Base metal and iron ore prices have declined from price levels a year ago, but remain well above their collective five-year price lows and above average costs of production. However, 2012 has been a challenging year for junior mining companies to raise capital, which has resulted in reduced exploration spending.

Metals Economics Group (MEG), a leading independent resource for global mining industry information and analysis, estimates that total global expenditures for non-ferrous metals exploration was a record US$18.2 billion in 2011. In its World Exploration Trends 2012 report, published in March 2012, MEG forecasted a 5% to 15% increase in global non-ferrous metals exploration spending in 2012, compared to 2011, with growth driven primarily by senior and intermediate mining companies. At the time of their report, MEG noted the difficulties that junior companies were having in accessing capital to sustain or increase their exploration spending. Junior mining companies continued to experience a challenging environment in raising capital.

Estimated Global Nonferrous Exploration Budgets and Indexed Metals Price*, 1993–2011



Source: Metals Economics Group

* The indexed metals price represents a blend of the relative changes in a basket of metals prices weighted by the percentage of exploration expenditures dedicated to each metal by the industry as reported in MEG's CES studies. This weighting acts as a proxy for the relative importance of each metal within the mining and exploration industry at a given time.

Gold

With the current uncertainty concerning global economic conditions and financial markets, gold has once again emerged as an alternative safe haven for capital. Further, increasing affluence in rapidly developing countries, such as China and India, has created greater demand for luxury goods, including gold jewellery. At the time of this report, the spot price for gold was more than US$1,700 an ounce.

Despite the substantial increase in the price of gold over the last decade, annual global gold production from 2002 to 2010 did not surpass the peak production levels attained in 2001, indicating that mine supply growth has been an industry challenge. With a lack of significant new discoveries and declining production at existing mines, many gold producers are focused on developing new projects or expanding existing deposits in efforts to replace or replenish reserves.

Base metals

Base metals' price performance generally reflects global economic conditions, as these metals are primarily used in infrastructure, industrial and manufacturing applications. Prices for aluminum, copper, lead, nickel and zinc – the primary industrial metals – have declined from price levels a year ago. Demand from emerging markets, particularly China and India, has a major influence on base metals markets.

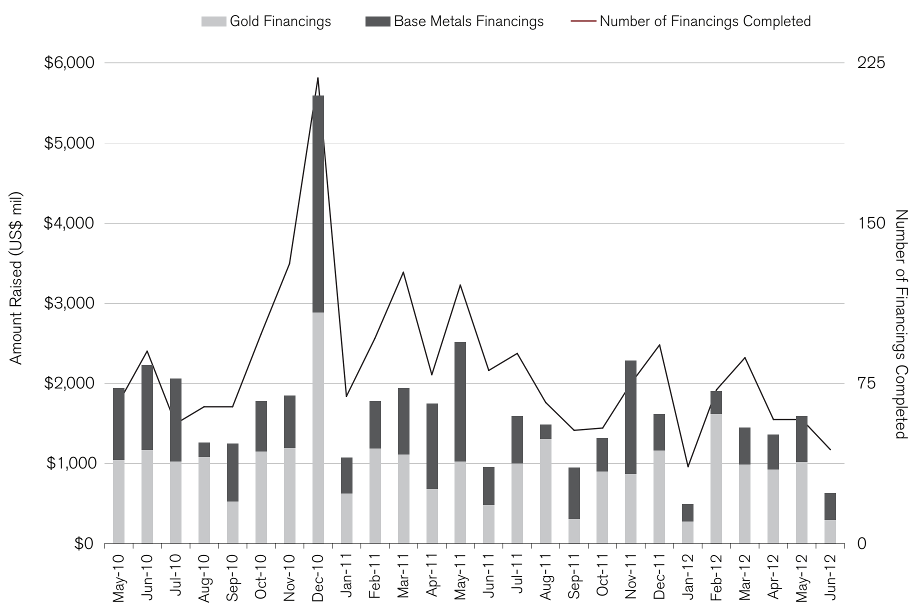
Iron ore

Iron ore prices are determined by the global demand for steel, as more than 95% of mined iron ore is used for steel making. At the time of this report, iron ore prices had declined to approximately US$95 per tonne from approximately US$177 per tonne a year ago, primarily as a result of decreased demand in China, the world's largest consumer of iron ore.

Market participants

With higher non-ferrous metals prices since the market downturn in late 2008 and early 2009, the mining industry has remained relatively healthy. Intermediate and junior companies, which were conserving cash during the market downturn in 2009, increased their exploration spending in 2010 and 2011 as non-ferrous metals prices rebounded and access to capital improved. However, continued global economic uncertainty in 2012 has made it more challenging for intermediates and juniors to raise capital, which has resulted in budget restraint and scaled back exploration programs. Rising costs of mineral production are also causing mining companies to review exploration and capital budgets. According to MEG, significant financings (> US$2 million) for gold and base metals projects in the May–June, 2012 period declined more than 21% from the corresponding two-month period in 2011.

Significant Junior and Intermediate Financings Completed



Source: Metals Economics Group Industry Monitor; Exploration Activity Services

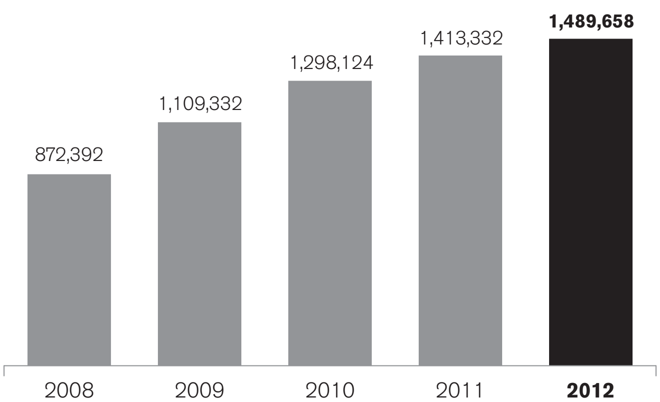
OVERALL PERFORMANCE
RESULTS OF OPERATION YEAR ENDED JUNE 30, 2012

Fiscal year ended June 30 * ($ millions)	**Fiscal 2012**	Fiscal 2011	2012 vs. 2011 Variation	Variation (%)
Revenue*	**154.8**	127.7	27.1	21.2
Gross profit*	**33.7**	28.5	5.2	18.2
Gross margin (%)	**21.8**	22.3		(0.5)
Adjusted gross margin (%)(1)	**27.3**	27.6		(0.3)
EBITDA*(2)	**27.9**	26.0	1.9	7.4
Metres drilled	**1,489,658**	1,413,332	76,326	5.4
Net earnings*	**10.4**	11.4	(1.0)	(9.5)
Net earnings per common shares				
– Basic ($)	**0.31**	0.35		
– Diluted ($)	**0.30**	0.34		

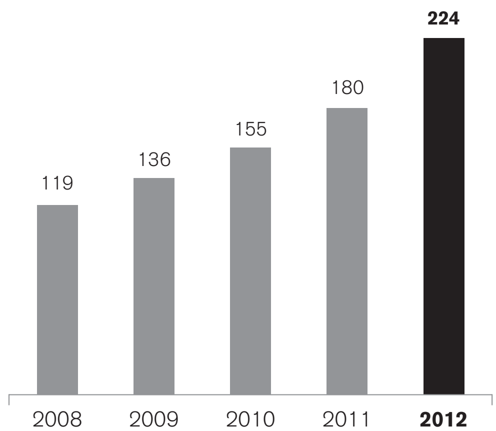
(1) Reflects gross margin, excluding amortization expenses. (See "Reconciliation of non-IFRS financial measures")
(2) EBITDA = Earnings before interest, taxes, depreciation and amortization. (See "Reconciliation of non-IFRS financial measures")

During fiscal 2012, Orbit Garant drilled a record 1.49 million metres, a 5.4% increase from 1.41 million metres drilled in fiscal 2011. The Company continued to expand its fleet with the addition of: 18 new drill rigs from its manufacturing division, 32 drill rigs from the acquisition of Lantech Drilling and two drill rigs from a third party. The Company also disposed of eight drill rigs, bringing its total drill rig count to 224 at the end of fiscal 2012.

Metres Drilled



Number of Drills



SELECTED ANNUAL FINANCIAL INFORMATION

For the year ended June 30 * ($ millions)	**IFRS Fiscal 2012**	IFRS[(1)] Fiscal 2011	Canadian GAAP[(1)] Fiscal 2010
Contract revenue			
Drilling Canada*	**133.0**	108.7	99.8
Drilling International*	**21.8**	19.0	10.2
Total*	**154.8**	127.7	110.0
Gross profit*	**33.7**	28.5	33.6
Gross margin (%)	**21.8**	22.3	
Adjusted gross margin (%)[(2)]	**27.3**	27.6	30.6
Net earnings*	**10.4**	11.4	12.6
Net earnings per common share ($)	**0.31**	0.35	0.38
Net earnings per common share diluted ($)	**0.30**	0.34	0.38
Total assets*	**170.2**	142.6	108.5
Long term debt*	**26.0**	14.7	0.2
Total metres drilled (million)	**1.5**	1.4	1.3
EBITDA*[(3)]	**27.9**	26.0	27.9
EBITDA %	**18.0**	20.3	25.4

(1) Figures for fiscal 2011 have been restated to comply with IFRS. Fiscal 2010 remains unchanged as previously reported under Canadian GAAP.
(2) Reflects gross margin, excluding amortization expenses. See "Reconciliation of non-IFRS financial measures"
(3) EBITDA See "Reconciliation of non-IFRS financial measures"

RESULTS OF OPERATIONS

Fiscal 2012 compared to fiscal 2011

Contract revenue

For the fiscal year ended June 30, 2012, the Company recorded contract revenue of $154.8 million compared to $127.7 million in fiscal 2011, representing an increase of $27.1 million, or 21.2%. The increase is attributable to new drilling contracts, higher revenue per meter drilled and the acquisition of Lantech Drilling in the second quarter of fiscal 2012.

The Company increased its total metres drilled by 5.4% to 1.49 million metres in fiscal 2012, primarily due to the acquisition of Lantech Drilling.

Domestic drilling contract revenue increased to $133.0 million in fiscal 2012, compared to $108.7 million in fiscal 2011, representing an increase of $24.3 million, or 22.3%. The increase reflects additional metres drilled from new and existing contracts and the contribution from Lantech Drilling's operations in Canada.

International drilling contract revenue increased 14.8% to $21.8 million in fiscal 2012, compared to $19.0 million in fiscal 2011. The increase of $2.8 million is attributable to higher revenue per meter drilled and the contribution from Lantech Drilling's operations in West Africa.

Gross profit and margins (see Reconciliation of non-IFRS measures)

Gross profit for fiscal 2012 increased 18.2% to $33.7 million, compared to $28.5 million in fiscal 2011. Increased gross profit was primarily attributable to price increases and higher overall business volumes, including increased higher margin international drilling activity in the first half of fiscal 2012. Gross margin for fiscal 2012 decreased to 21.8% from 22.3% in fiscal 2011. In accordance with IFRS, amortization expenses totalling $8.5 million are included in cost of contract revenue for fiscal 2012, compared to $6.8 million for fiscal 2011. Adjusted gross margin, excluding amortization expenses, decreased slightly to 27.3% in fiscal 2012, compared to 27.6% in fiscal 2011. The decline in gross margins for fiscal 2012 primarily resulted from: unseasonably warm weather in Quebec and Ontario in March, 2012, which resulted in an early spring break-up and the premature suspension of drilling activities on certain project sites; lower overall productivity rates due to the introduction of new drillers and decreased business activity in the second half of the year from the Company's junior mining company customers.

General and administrative expenses

General and administrative (G&A) expenses were $17.1 million for fiscal 2012, compared to $11.6 million in fiscal 2011. G&A expenses represented 11.1% of sales during fiscal 2012, compared to 9.1% in fiscal 2011. In accordance with IFRS, amortization expenses of $2.9 million are included in G&A expenses for fiscal 2012, compared to $1,9 million for fiscal 2011. Adjusted G&A expenses, excluding amortization expenses and $0.4 million in acquisition costs related to the acquisition of Lantech Drilling, totalled $13.8 million (8.9% of revenue) for fiscal 2012, compared to $9.7 million (7.6% of revenue) for fiscal 2011. Higher G&A expenses resulted primarily from increased personnel, the Company's acquisition of Advantage Control Technologies and Morris Drilling Inc. in the second quarter of fiscal 2011, the acquisition of Lantech Drilling in the second quarter of fiscal 2012 and the amortization expenses related to the Company's new head office in Val-d'Or, Quebec.

EBITDA (see Reconciliation of non-IFRS measures)

EBITDA was $27.9 million for fiscal 2012, compared to $26.0 million in fiscal 2011, an increase of $1.9 million, or 7.4%. EBITDA represented 18.0% of sales in fiscal 2012, compared to 20.3% of sales in fiscal 2011.

Financial expenses

Interest costs related to long-term debt and bank charges for fiscal 2012 were $1.3 million, compared to $0.6 million in fiscal 2011. Increased interest costs resulted from business acquisitions and working capital increases.

Income taxes

Income taxes were $4.7 million in fiscal 2012, compared to $5.3 million in fiscal 2011.

Net earnings

Net earnings in fiscal 2012 totalled $10.4 million, or $0.31 per common share ($0. 30 per share diluted), compared to $11.4 million, or $0.35 per common share ($0.34 per share diluted) in fiscal 2011. This decrease is primarily attributable to increased G&A expenses and finance costs.

SUMMARY ANALYSIS OF FISCAL 2011 COMPARED TO FISCAL 2010

(Figures for fiscal 2011 have been restated to comply with IFRS. Fiscal 2010 remains unchanged as previously reported under Canadian GAAP.)

Revenue for the fiscal year ended June 30, 2011 was $127.7 million compared to $110.0 million for fiscal 2010, representing an increase of $17.7 million or 16.2%.

Adjusted gross margins for fiscal 2011 were 27.6%, compared to 30.6% for fiscal 2010. Total gross profit during fiscal 2011 was $28.5 million, compared to $33.6 million for fiscal 2010, representing a decrease of 15.3%. The decline was a result of a more competitive pricing environment due to prevailing market conditions at that time.

Net earnings for fiscal 2011 totalled $11.4 million, or $0.35 per share ($0.34 per share diluted), compared to $12.6 million, or $0.38 per share (basic and diluted) in fiscal 2010.

OVERALL PERFORMANCE
SUMMARY OF QUARTERLY RESULTS[1]

	Fiscal 2012				Fiscal 2011			
* ($ millions)	**June 30**	**Mar. 31**	**Dec. 31**	**Sept. 30**	June 30	Mar. 31	Dec. 31	Sept. 30
Contract revenue*	**43.6**	**41.7**	**32.4**	**37.1**	41.0	33.4	25.9	27.4
Gross profit*	**7.7**	**10.0**	**7.1**	**8.9**	10.1	6.8	5.9	5.7
Gross margin %	**17.7**	**23.9**	**21.7**	**24.0**	24.7	20.4	22.9	20.5
Adjusted Gross margin %[2]	**22.6**	**29.4**	**28.3**	**29.5**	29.2	25.7	29.1	26.1
Net earnings*	**1.3**	**3.5**	**1.9**	**3.7**	4.6	2.3	2.3	2.2
EBITDA[3]*	**5.5**	**8.3**	**5.8**	**8.3**	9.3	6.0	5.4	5.3
Net earnings per common share ($)								
– Basic	**0.04**	**0.10**	**0.06**	**0.11**	0.14	0.07	0.07	0.07
– Diluted	**0.04**	**0.10**	**0.05**	**0.11**	0.13	0.07	0.07	0.07

(1) Figures for fiscal 2011 have been restated to comply with IFRS.
(2) Reflects gross margin, excluding amortization expenses. See "Reconciliation of non-IFRS financial measures"
(3) EBITDA See "Reconciliation of non-IFRS financial measures"

SEASONALITY

The Company's revenue shows some seasonal trends. In the underground drilling division, scheduled mine shut-downs over holiday and summer periods at some locations reduce 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 2012 COMPARED TO FISCAL 2011

Contract revenue

Revenue for the fourth quarter of the fiscal year ended June 30, 2012 ("Q4 FY2012") totalled $43.6 million, an increase of $2.6 million or 5.9% compared to the quarter ended June 30, 2011 ("Q4 FY2011"). The number of metres drilled decreased to 402,126 in Q4 FY2012 from 426,525 in Q4 FY2011. The Company's average revenue per meter drilled in Q4 FY2012 was $105.83 compared to $94.12 in Q4 FY2011.

Domestic drilling revenue was $38.9 million in Q4 FY2012, compared to $33.8 million in Q4 FY2011, representing an increase of 14.7%, reflecting higher revenue per metre drilled and the contribution from Lantech Drilling. Most of the increase was attributable to the Company's new Lantech Drilling operations.

International drilling revenue was $4.7 million in Q4 FY2012 compared to $7.3 million in Q4 FY2011, a decrease of 35.1%, due to lower demand for drilling services.

Gross profit and margins (see Reconciliation of non-IFRS measures)

Gross profit for Q4 FY2012 decreased 23.9% to $7.7 million from $10.1 million in Q4 FY2011. Gross margin for Q4 FY2012 decreased to 17.7% from 24.7% in the fourth quarter a year ago. In accordance with IFRS, amortization expenses totalling $2.1 million are included in cost of contract revenue for Q4 FY2012, compared to $1.9 million for Q4 FY2011. Adjusted gross margin, excluding amortization expenses, decreased to 22.6% in Q4 FY2012, from 29.2% in Q4 FY2011. Decreased gross profit and gross margin in Q4 FY2012 reflect a decline in higher margin international business activity from the Company's junior mining company customers.

General and administrative expenses

General and administrative (G&A) expenses increased to $5.1 million (11.7% of revenue) in Q4 FY2012, from $3.4 million (8.3% of revenue) in Q4 FY2011. In accordance with IFRS, amortization expenses of $0.9 million are included in G&A expenses for fiscal 2012, compared to $0,6 million for fiscal 2011. Adjusted G&A expenses, excluding amortization expenses, totalled $4.2 million (9.7% of revenue) for fiscal 2012, compared to $2.8 million (6.8% of revenue) for fiscal 2011. Higher G&A expenses in Q4 FY2012 resulted primarily from increased personnel, the Company's new branch office in Sudbury, Ontario, the acquisition of Lantech Drilling and the amortization expenses related to the Company's new head office in Val-d'Or, Quebec.

EBITDA (see Reconciliation of non-IFRS measures)

EBITDA totalled $5.5 million (12.9% of revenue) in the fourth quarter of fiscal 2012, compared to $9.3 million (22.7% of revenue) in the same period a year ago, a decrease of $3.8 million, or 39.6%. The decline is primarily attributable to decreased international drilling activity in the quarter.

Financial expenses

Interest costs related to long-term debt and bank charges were $0.4 million in Q4 FY2012, comparable to $0.2 million in Q4 FY2011.

Income taxes

Income taxes were $0.8 million for Q4 FY2012 compared to $2.0 million for the same period last year.

Net earnings

Net earnings for Q4 FY2012 were $1.3 million, or $0.04 per share (basic and diluted), compared to $4.6 million, or $0.14 per share ($0.13 per diluted share) for Q4 FY2011. The decline in net earnings resulted from decreased international drilling activity and higher G&A expenses.

EFFECT OF EXCHANGE RATE

Aside from the US dollars referenced below, all of the Company's revenue was denominated in Canadian dollars. The Company's main exposure to exchange rate fluctuations arose from certain purchases denominated in US dollars which were offset in part by revenue of approximately $13.0 million earned in US dollars, related primarily to the international drilling business. As at June 30, 2012, the Company has cash in US dollars for an amount of $0.9 million (June 30, 2011, $0.3 million) and accounts receivable in US dollars for an amount of $2.2 million (June 30, 2011, $0.4 million).

As at June 30, 2012, the Company has estimated that a 10% increase or decrease of the US exchange rate would have caused a corresponding annual increase or decrease in net earnings and comprehensive earnings of approximately $0.2 million (June 30, 2011, negligible).

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

Cash flow from operations before non-cash operating working capital items was $28.7 million in fiscal 2012, compared to $26.3 million in fiscal 2011.

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 $22.1 million for fiscal 2012, compared to $22.7 million in fiscal 2011. During fiscal 2012, $18.4 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, Quebec and cash of $1.7 million on disposition of property, plant and equipment. This compares with $18.6 million for the acquisition of Property, Plant and Equipment and cash of $1.2 million on disposition of a property for the fiscal year ended June 30, 2011.

During fiscal 2012, $5.4 million was used for the business acquisition of Lantech Drilling. In fiscal 2011, $5.8 million were used for business acquisitions and $0.5 million of net consideration on disposal of an investment.

Financing activities

Cash flow generated from financing activities was $8.6 million for fiscal 2012. In fiscal 2011 cash flow from financing activities generated $14.4 million. During fiscal 2012, the Company frequently drew upon its $40 million revolving Credit Facility and partially repaid borrowed amounts. During the year, these activities resulted in additional borrowing of $8.5 million. As at June 30, 2012, the Company's long-term debt, including the current portion, was $26.4 million. The debt was used to support the acquisition of Lantech Drilling and the acquisition of other capital assets, including property, plant and equipment.

As at June 30, 2012, the Company's working capital was $60.3 million, compared to $50.0 million as at June 30, 2011. The Company's working capital requirements are primarily to fund inventory acquisition and support account receivables.

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 drill 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 $40.0 million secured, four-year revolving credit facility (the "Credit Facility"). Orbit Garant and its lenders have the option to increase the funds available under the Credit Facility up to a total of $60.0 million, subject to certain conditions. The Credit Facility will be used to fund working capital requirements and provide further flexibility to the Company's long-term acquisition program. The Credit Facility matures no later than May 27, 2015. As of June 30, 2012 the Company had drawn $25.6 million.

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, 2012, 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*	26,582	401	316	25,865
Operating leases*	1,554	468	690	396
Contingent consideration*	4,800	1,600	3,200	–
Other long-term obligations*	–	–	–	–
Total*	32,936	2,469	4,206	26,261

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 significant influence exercised by the Company.

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

*($ thousands)	**June 30, 2012**	June 30, 2011
Sales*	**–**	47
Purchases*	**–**	1,267
Rent*	**20**	95

All these related party transactions are measured at fair value.

SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements reflect the first-time adoption of International Financial Reporting Standards ("IFRS"), which replaced Canadian Generally Accepted Accounting Principles ("GAAP") as of January 1, 2011. All disclosures and explanations related to the first-time adoption of IFRS are presented in note 22, which provides information that is considered material to the understanding of the Company's first IFRS financial statements. It also presents a reconciliation of the 2011 financial figures prepared under Canadian GAAP to the 2011 financial figures prepared under IFRS, including a reconciliation of the consolidated statements of earnings, comprehensive earnings and cash flows for the year ended June 30, 2011, as well as a reconciliation of the consolidated balance sheets and equity as of July 1, 2010 and as of June 30, 2011.

The IFRS consolidated financial statements have been prepared based on the following accounting policies:

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and IFRS 1, First-time Adoption of IFRS. These consolidated financial statements should be read in conjunction with IFRS transition disclosures included in note 22.

The consolidated financial statements were approved for issue by the Board of Directors of Orbit Garant Drilling Inc. on September 19, 2012.

The consolidated financial statements have been prepared on a historical cost basis, except for the contingent liability, which have been measured at fair value and are presented in Canadian dollars, which is the currency of the primary economic environment in which the Company and its subsidiaries operate ("functional currency").

Foreign currency translation

Financial statements of foreign operations are translated using the rate in effect at the balance sheet date for assets and liabilities, and using the average exchange rates during the period for revenues and expenses. Adjustments arising from foreign currency translation are recorded in other comprehensive earnings.

Foreign currency transactions are transactions in a currency other than the Company's functional currency. Foreign currency transactions are translated to the functional currency by applying the exchange rate prevailing at the date of the transactions. Translation gains and losses on assets and liabilities denominated in a foreign currency are included in the statement of comprehensive earnings.

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.

Goodwill

Goodwill initially arising from a business acquisition is measured and recognized as the excess of the fair value of the consideration paid over the fair value of the recognized identifiable assets acquired and liabilities assumed. When the Company acquires less than 100% of the equity interests in the business acquired at the acquisition date, goodwill attributable to the non-controlling interest is also recognized at fair value.

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 months
Drilling technology	60 months
Non-competition agreement	36 months

Amortization methods, residual values and the useful lives of significant intangible assets are reviewed at each financial year-end. Any change is accounted for prospectively as a change in accounting estimate.

Impairment of long-lived assets

For the purposes of assessing impairment, assets are grouped in cash-generating units ("CGU"), which represent the lowest levels for which there are separately identifiable cash inflows generated by those assets. The Company reviews, at each balance sheet date, whether events or circumstances have occurred to indicate that the carrying amounts of its long-lived assets with finite useful lives may be less than their recoverable amounts.

Goodwill, other intangible assets having an indefinite useful life, and intangible assets not yet available for use are tested for impairment on June 30 of each financial year, as well as whenever there is an indication that the carrying amount of the asset, or the CGU to which an asset has been allocated, exceeds its recoverable amount. The recoverable amount is the higher of the fair value, less costs to sell and the value in use of the asset or the CGU. Fair value, less costs to sell, represents the amount an entity could obtain at the valuation date from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use represents the present value of the future cash flows expected to be derived from the asset or the CGU.

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and attributed to assets in the CGU, prorated to the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets having an indefinite useful life, other than goodwill, can be reversed through the statement of earnings up to the excess of the recoverable amount of the asset or the CGU over its carrying value.

Income taxes

Current income taxes are recognized with respect to amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in earnings in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to an amount that is more likely than not to be realized. A deferred tax expense or benefit is recognized in other comprehensive earnings or otherwise directly in equity to the extent that it relates to items that are recognized in other comprehensive earnings or directly in equity in the same or a different period.

In the course of the Company's operations, there are a number of uncertain tax positions due to the complexity of certain transactions and due to the fact that related tax interpretations and legislation are continually changing. When a tax position is uncertain, the Company recognizes an income tax benefit or reduces an income tax liability only when it is probable that the tax benefit will be realized in the future or that the income tax liability is no longer probable.

Revenue recognition

Revenue from drilling contracts is recognized on the basis of actual metres 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 period. 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. The fair value is recognized as an expense with a corresponding increase in equity settled reserve. The amount recognized as an expense is adjusted to reflect the number of stock options expected to vest. When unexercised stock options are forfeited or expired, the amounts are transferred to retained earnings.

TRANSITION TO IFRS

The consolidated financial statements are prepared in accordance with IFRS, as described under accounting policies (note 3). The date of the opening balance sheet under IFRS and the Company's date of transition to IFRS is July 1, 2010. The IFRS 1 requires the presentation of Comparative Financial Information and imposes to the First-time adopters to apply, retrospectively, all the IFRS standards in effect for the Company, for the year ended June 30, 2012. However, it provides certain optional exemptions and certain mandatory exceptions for the First-time IFRS adopters.

Prior to the adoption of IFRS, for all periods up to and including the year ended June 30, 2010, the Company's consolidated financial statements were prepared in accordance with Canadian GAAP. The Company applied IFRS 1 *First-time Adoption of IFRS* to prepare its first consolidated financial statements. The transition incidence to IFRS on equity, net earnings, comprehensive earnings and cash flows is presented and described in this note and is explained in more detail in the notes relative to the chart.

Initial choices on adoption

The Company has applied IFRS 1 in preparing these consolidated financial statements. The Company is required to establish IFRS accounting policies as of the transition date and, in general, to apply these retrospectively to determine the IFRS opening balance sheet at July 1, 2010. This Standard provides a number of mandatory exceptions and optional exemptions to this general principle of retrospective application when the translation of Canadian GAAP to IFRS for the Company. Descriptions of applicable exemptions and exceptions are set out below, together with the Company's elections:

Mandatory exceptions to IFRS adopted by the Company

Estimates – In accordance with IFRS 1, an entity's estimates under IFRS as of the transition date to IFRS must be consistent with estimates made for the same date under previous Canadian GAAP, unless there is objective evidence that those estimates were in error. The estimates previously made by the Company under Canadian GAAP were not revised on the application of IFRS.

Optional choices applied by the Company

Business Combinations – IFRS 1 provides the option to apply IFRS 3R (revised), *Business Combinations*, retrospectively or prospectively from the transition date. A retrospective basis would require restatement of all business combinations that occurred prior to the transition date. The Company has elected not to apply IFRS 3R retrospectively to business combinations that occurred before the date of transition. These business combinations were not restated. Accordingly, IAS 27, Consolidated and Separate Financial Statements, is also applied prospectively. Any goodwill arising on acquisition differences has not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying this exemption.

Reconciliation of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior years. The Company's first time adoption of IFRS did not have an impact on the total operating, investing or financing cash flows. The following represents the reconciliations from Canadian GAAP to IFRS for the respective years noted: the equity, earnings and comprehensive earnings.

Reconciliation of equity

($ in thousands of dollars)

As at:	Explanation	June 30, 2011	July 1, 2010
Equity under Canadian GAAP		$ 103,787	$ 89,592
Differences with Canadian GAAP decreasing reported equity:			
Business acquisition expenses	(c)	(328)	
Contingent consideration	(b)	(116)	
Total equity under IFRS		**$ 103,343**	**$ 89,592**

Reconciliation of earnings and comprehensive earnings

($ in thousands of dollars)

For the year ended :	Explanation	June 30, 2011
Net earnings and comprehensive earnings under Canadian GAAP		$ 12,128
Differences in GAAP decreasing reported earnings:		
Business acquisition expenses	(c)	(328)
Change in fair value of contingent consideration	(b)	(116)
Share-based compensation	(a)	$ (238)
Net earnings and comprehensive earnings under IFRS		**11,446**

(a) Stock-based compensation

Canadian GAAP – For grants of share-based awards with graded vesting, the total fair value of the award is recognized on a straight-line basis over the employment period necessary to vest the award.

IFRS – Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis. As a result, the Company adjusted its expense for share-based awards to reflect this difference in recognition for all stock options granted.

(b) Business combinations – Contingent consideration

Canadian GAAP – Contingent consideration was recognized as part of the purchase price when they were paid.

IFRS – Contingent consideration is recognized at fair value at the date of the acquisition date. The Company has booked a contingent consideration related to the acquisition of 1085820 Ontario Limited (Advantage Control Technologies).

(c) Business combination – Acquisition costs

Canadian GAAP – The acquisition costs were accounted for as part of the purchase price.

IFRS – The acquisition costs are accounted for as expense in the statement of earnings. The Company accounted for in the statement of earnings the acquisition costs related to the acquisitions of 1085820 Ontario Limited (Advantage Control Technologies) and Morris Drilling Inc.

Changes in accounting policies

In addition to the exemptions and exceptions discussed above, the following narratives explain the significant differences between the previous Canadian GAAP accounting policies and the current IFRS policies applied by the Company.

Share-based compensation

Under IFRS, when a share-based payment vests in instalments over a vesting period ("graded vesting"), each instalment is accounted for as a separate arrangement as compared to Canadian GAAP, which gave the choice of treating the instruments as a pool, with the measurement being determined using the average life of the awards granted.

Reconciliation of Canadian GAAP to IFRS

IFRS uses a conceptual framework which is similar to the Canadian GAAP. But there are important differences that exist in certain standards evaluation and disclosure. Though the adoption of IFRS did not change the Company's cash flow, it did bring changes to the Company's balance sheets and the activity results. In order to allow the financial statement users to better understand these changes, to the Company's consolidated balance sheet, consolidated statement of earnings and comprehensive earnings prepared according to Canadian GAAP were restated according to the IFRS Standards at different dates and the differences in the statements are explained, as required by IFRS 1.

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

Estimates, assumptions and judgments are continually evaluated by the Company and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates, assumptions and judgments concerning the future. Actual results could differ from these estimates. The estimates, assumptions and judgments that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are addressed below.

Inventories

Inventory is measured at the lower of cost and net realizable value. In estimating net realizable values, management takes into account the most reliable evidence available at the time the estimates are made. Net realizable value is the estimated selling price less the estimated cost necessary to make the sale. Used and revised inventories are valued at 50% and 75% of cost respectively. The amount of the depreciation of inventories can be reversed when the circumstances that led to the impairment charge in the past no longer exists.

Useful lives of depreciable assets

Amortization methods, residual values and useful lives of property, plant and equipment are reviewed at each reporting date by the management. Any changes are accounted for prospectively as a change in accounting estimate. As at June 30, 2012, management assesses that the useful lives represent the expected utility of the assets to the Company.

Business combinations

On initial recognition, the assets and liabilities of the acquired business are included in the consolidated balance sheet of the Company at their fair values. In measuring fair value, management uses estimates about future cash flows and discount rates, however, the actual results may vary. Any measurement changes upon initial recognition would affect the measurement of Goodwill.

Estimated impairment of Goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in summary of significant accounting policies. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Current income taxes

The Company is subject to income taxes in various jurisdictions. Judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due in the future. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It established provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income taxes

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Company operates are also carefully taken into consideration. If a forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by Management based on the specific facts and circumstances.

Provisions

Provisions are recognized when (i) the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and when (ii) the amount of the obligation can be reliably estimated.

Provisions are reviewed at each balance sheet date and changes in estimates are reflected in the consolidated statement of earnings in the reporting period in which changes occur.

Contingent considerations

The fair value recognized for contingent considerations has been estimated by Management based on the subsidiaries results and budget. However, the actual contingent considerations may vary due to unexpected changes in the subsidiaries activities.

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 which is based on significant assumptions such as volatility, dividend yield and expected term.

Functional currency

The Company applied judgment in determining the functional currency of the Company and its subsidiaries. Functional currency was determined based on the currency that mainly influences sales prices, labour, materials and other costs of providing services.

RECENT ACCOUNTING PRONOUNCEMENTS

The Company has not early adopted the following new standards and adoption impacts on the consolidated financial statements have not yet been determined:

IFRS 9 – Financial Instruments

IFRS 9 simplifies the measurement and classification for financial assets by reducing the number of measurement categories and removing complex rule-driven embedded derivative guidance in IAS 39, Financial Instruments: Recognition and Measurement. The new standard also provides for a fair value option in the designation of a non-derivative financial instruments and its related classification and measurement. IFRS 9 is effective from periods beginning January 1, 2015 with early adoption permitted.

IFRS 10 – Consolidated Financial Statements

IFRS 10 replaces SIC-12 Consolidation – Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements and provides additional guidance regarding the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. IFRS 10 is effective from periods beginning January 1, 2013 with early adoption permitted.

IFRS 11 – Joint Arrangements

IFRS 11 replaces IAS 31, Interests in Joint Ventures, with guidance that focuses on the rights and obligations of the arrangement, rather than its legal form. It also withdraws the option to proportionately consolidate an entity's interests in joint ventures. The new standard requires that such interests be recognized using the equity method. IFRS 11 is effective from periods beginning January 1, 2013 with early adoption permitted.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose entities and other off balance sheet vehicles. IFRS 12 is effective from periods beginning January 1, 2013 with early adoption permitted.

IFRS 13 – Fair Value Measurements

IFRS 13 defines fair value, requires the disclosure of estimates at fair value and provides guidance on measuring fair value when required or permitted to do so according to the IFRS standards. IFRS 13 is effective from periods beginning January 1, 2013 with early adoption permitted.

RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

Financial data has been prepared in conformity with IFRS. However, certain measures used in this discussion and analysis do not have any standardized meaning under IFRS and could be calculated differently by other companies. The Company believes that certain non-IFRS financial measures, when presented in conjunction with comparable IFRS financial measures, are useful to investors and other readers because the information is an appropriate measure for evaluating the Company's operating performance. Internally, the Company uses this non-IFRS financial information as an indicator of business performance. These measures are provided for information purposes, in addition to, and not as a substitute for, measures of financial performance prepared in accordance with IFRS.

Non-IFRS financial measures

EBITDA	Profit for the period before finance income and costs, income tax expenses and amortization.
Adjusted gross margin	Contract revenue less operating cost. Operating expenses comprise material and service expenses, personnel expenses, other operating expenses, excluding amortization.

EBITDA

Reconciliation of EBITDA

(unaudited) in millions of dollars	**Three months ended June 30, 2012**	Three months ended June 30, 2011	**Twelve months ended June 30, 2012**	Twelve months ended June 30, 2011
Net earnings for the period	**1.3**	4.6	**10.4**	11.4
Finance costs	**0.4**	0.2	**1.3**	0.6
Income tax expense	**0.9**	2.0	**4.7**	5.3
Amortization	**2.9**	2.5	**11.5**	8.7
EBITDA	**5.5**	9.3	**27.9**	26.0

Adjusted gross margin

Although adjusted gross margin is not a recognized financial measure defined by IFRS, it is a widely recognized measure used in the mineral drilling industry. As a result, management believes it provides a useful and comparable benchmark for evaluating the Company's performance.

(unaudited) in millions of dollars	**Three months ended June 30, 2012**	Three months ended June 30, 2011	**Twelve months ended June 30, 2012**	Twelve months ended June 30, 2011
Contract revenue	**43.6**	41.0	**154.8**	127.7
Cost of contract revenue (including amortization)	**35.9**	30.9	**121.1**	99.2
Less amortization	**(2.1)**	(1.9)	**(8.5)**	(6.8)
Direct costs	**33.8**	29.0	**112.6**	92.4
Adjusted gross profit	**9.8**	12.0	**42.2**	35.3
Adjusted gross margin (%)[1]	**22.6**	29.2	**27.3**	27.6

[1] Adjusted gross profit, divided by Contract revenue X 100

OUTSTANDING SECURITIES AS OF SEPTEMBER 19, 2012

Number of shares	33,276,519
Number of options	2,623,000
Fully diluted	35,899,519

In fiscal 2012, the Company issued 300,000 options at an exercise price of $5.60 and 10,500 options were exercised at an exercise price of $1.00 per share. On December 16, 2011, 217,082 shares were issued for the acquisition of Lantech Drilling.

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 19, 2012. 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, on whom 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 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 *("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, 2012, 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.

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, Lantech Drillling 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 $13.0 million of US dollar revenue exposure related to international activities. 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 Company's operations 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 19, 2012, 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 credit-worthy 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, 2012, the amount of the insurance coverage from EDC represents approximately 24% of the accounts receivable (33% in 2011).

As at June 30, 2012, 43% (43% as at June 30, 2011) of the trade accounts receivable are aged as current and 1% (2% as at June 30, 2011) of receivables are impaired.

Two major customer represents 34% of the trade accounts receivable as at June 30, 2012 (June 30, 2011, one major customer represents 13% and one customer represented 10%).

In fiscal 2012, one major customer represents 15% of the contract revenue for the year June 30, 2012 (year ended June 30, 2011 no major customer represented 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 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, 2012, 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 $0.2 million before income taxes ($0.1 million impact in 2011).

Fair value

The fair value of cash, accounts receivable, bank overdraft, accounts payable and accrued liabilities, 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. The fair value on the contingent consideration has been evaluated as of a discounted rate value.

OUTLOOK

Management believes the long-term outlook for the mining industry remains positive. While short term economic conditions may impact market conditions from time-to-time, growing global demand for ferrous and nonferrous metals and depleting supplies, will ultimately result in mineral resource companies being able to access capital to continue exploration drilling activities and replenish reserves. Increased demand for minerals from developing countries, such as Brazil, Russia, India and China, is providing the largest impetus for long-term growth. China now has a significant impact on global demand and pricing of ferrous and nonferrous metals. The lack of new mineral discoveries, shortage of labour and other supply issues affecting traditional markets are all contributing to constraints in supply.

With gold prices currently more than US$1,700 per ounce, and base metals and iron ore prices well above the price lows experienced in late 2008 and early 2009, mining companies are able to exploit a greater number of mineral deposits. Senior and intermediate mining companies generally have healthy balance sheets and access to capital, which will allow the necessary investments to continue exploration and production programs. Approximately 74% of Orbit Garant's revenues are currently derived from senior and intermediate mining companies. Continued global economic uncertainty has made it difficult for junior exploration companies to access capital in 2012, which may continue to have a negative impact to Orbit Garant's utilization rates and gross margins in the near term. Orbit Garant currently has 70% of its drilling capacity booked for fiscal 2013.

Management will continue to focus on building value for stakeholders by training new drillers, improving productivity and enhancing services for customers. Orbit Garant's driller training program will continue to be an important part of the Company's long term growth plans. Management believes its computerized drilling control and monitoring solutions will be an important contributor towards reducing both the labour and consumable component costs of mineral drilling, and enhancing productivity rates going forward. The Company expects to have at least 30 drill rigs featuring its computerized monitoring and control technology by the end of fiscal 2013. The Board of Directors has approved a budget of $11.0 million for capital expenditures in fiscal 2013.

Orbit Garant's acquisition of Lantech Drilling in December 2011, established a new strategic hub for the Company in Eastern Canada, added 32 drill rigs to its fleet and expertise in iron ore and geotechnical drilling services. Lantech Drilling also provides Orbit Garant with a strategic entry point to the higher margin mineral drilling market in West Africa. Management plans to leverage the combined operations of Orbit Garant and Lantech Drilling to pursue new business development opportunities in Canada and internationally.

With its strong balance sheet, leading position in Quebec, growing presence in Ontario and expanded operations in New Brunswick and West Africa, Management believes Orbit Garant is well positioned for future growth. As the mining industry grows, and attracts new spending, Orbit Garant intends to build on its organic growth by focusing on acquisition opportunities both in Canada and internationally that further enhance stakeholder value.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Effective December 16, 2011, the Company completed the acquisition of Lantech Drilling and the results of Lantech Drilling operations have been included in the financial statements since the date of acquisition. However, the Company has not had sufficient time to appropriately review the internal controls used by Lantech Drilling. The Company is in the process of integrating the Lantech Drilling operation and will be expanding its disclosure controls and procedures and internal controls over financing reporting compliance program to include Lantech Drilling over the next year. As a result, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have limited the scope of design of disclosure controls and procedures and testing of internal controls over financial reporting to exclude Lantech Drilling controls, policies and procedures from the June 30, 2012 certification of internal controls. The information for Lantech Drilling is included in the discussion regarding the acquisition contained in this MD&A and Note 2 of the consolidated financial statement.

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

As at June 30, 2012, 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, 2012.

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 IFRS.

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 2012, 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, 2012, 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, other than restrictions mentioned above, 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 International Financial Reporting Standards 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, CPA, CMA
President and Chief Executive Officer

Alain Laplante, FCPA, FCGA
Vice-President and Chief Financial Officer

Val-d'Or, Quebec
September 19, 2012

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, 2012, June 30, 2011 and July 1, 2010, and the consolidated statements of earnings and comprehensive earnings, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended June 30, 2012 and June 30, 2011, 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 International Financial Reporting Standards, 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, 2012, June 30, 2011 and July 1, 2010, and its financial performance and its cash flows for the years ended June 30, 2012 and June 30, 2011 in accordance with International Financial Reporting Standards.

Samson Bélair
Deloitte & Touche s.e.n.c.r.l.[1]

September 19, 2012

[1] CPA auditor, CA, public accountancy permit No. A104311

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE EARNINGS

For the years ended June 30, 2012 and 2011

(in thousands of Canadian dollars, except for earnings per share)	Notes	**June 30 2012 $**	June 30 2011 $
			(note 22)
Contract revenue	21	**154,756**	127,738
Cost of contract revenue	6	**121,094**	99,264
Gross profit		**33,662**	28,474
Expenses			
General and administrative expenses	6	**17,104**	11,563
Other expenses	6	**145**	41
Finance costs	6	**1,331**	556
		18,580	12,160
Earnings before the following items		**15,082**	16,314
Share in net earnings of associate	6	**–**	225
Gain on long-term investments	6	**–**	209
Earnings before income taxes		**15,082**	16,748
Income taxes	15		
Current		**4,710**	5,647
Deferred		**12**	(345)
		4,722	5,302
Net earnings and comprehensive earnings attributable to shareholders		**10,360**	11,446
Earnings per share attributable to shareholders	14		
Basic		**0.31**	0.35
Diluted		**0.30**	0.34

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended June 30, 2012 and 2011

(in thousands of Canadian dollars)	Share capital $	Equity settled reserve $	Retained earnings $	Total shareholders' equity $
	(note 14)	(note 14)		(note 22)
Balance as of July 1, 2010	51,898	1,703	35,991	89,592
Net earnings and comprehensive earnings	–	–	11,446	11,446
Issuance of shares related to business acquisitions	1,482	–	–	1,482
Issuance of shares related to options exercised	6	–	–	6
Share-based compensation	–	819	–	819
Fair value of stock option exercised	–	(2)	–	(2)
Balance as of June 30, 2011	53,386	2,520	47,437	103,343
Net earnings and comprehensive earnings	–	–	10,360	10,360
Issuance of shares related to business acquisitions	989	–	–	989
Issuance of shares related to purchase financing	20	–	–	20
Issuance of shares related to options exercised	16	–	–	16
Share-based compensation	–	1,009	–	1,009
Fair value of stock option exercised	–	(5)	–	(5)
Balance as of June 30, 2012	**54,411**	**3,524**	**57,797**	**115,732**

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

As of June 30, 2012, June 30, 2011 and July 1, 2010

(in thousands of Canadian dollars)	Notes	**June 30 2012 $**	June 30 2011 $	July 1 2010 $
Assets			(note 22)	(note 22)
Current assets				
Cash		**1,959**	–	8,114
Accounts receivable	20	**35,765**	33,865	21,188
Inventories	7	**42,036**	33,646	22,708
Income taxes receivable		**1,503**	2,412	2,351
Prepaid expenses		**1,165**	689	460
		82,428	70,612	54,821
Non-current assets				
Investments in associate	8	**–**	–	886
Property, plant and equipment	9	**55,880**	43,223	31,681
Goodwill	10	**26,771**	22,715	19,698
Intangible assets	11	**5,072**	6,086	1,374
Total assets		**170,151**	142,636	108,460
Liabilities				
Current liabilities				
Bank overdraft		**–**	698	–
Accounts payable and accrued liabilities		**20,206**	19,009	17,158
Contingent considerations	2	**1,564**	774	–
Current portion of long-term debt	12	**401**	168	203
		22,171	20,649	17,361
Non-current liabilities				
Contingent considerations	2	**2,792**	1,356	–
Long-term debt	12	**25,971**	14,673	172
Deferred tax liabilities	15	**3,485**	2,615	1,335
		54,419	39,293	18,868
Equity				
Share capital	14	**54,411**	53,386	51,898
Equity settled reserve	14	**3,524**	2,520	1,703
Retained earnings		**57,797**	47,437	35,991
Equity attributable to shareholders		**115,732**	103,343	89,592
Total liabilities and equity		**170,151**	142,636	108,460

See accompanying notes to consolidated financial statements.

Approved by the Board

Eric Alexandre
Director

Jean-Yves Laliberté
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended June 30, 2012 and 2011

(in thousands of Canadian dollars)	Notes	**June 30 2012 $**	June 30 2011 $
			(note 22)
Operating activities			
Earnings before income taxes		**15,082**	16,748
Items not affecting cash:			
Amortization of property, plant and equipment	9	**9,412**	7,159
Amortization of intangible assets	11	**2,064**	1,510
Gain on disposal of property, plant and equipment	9	**(168)**	(36)
Gain on long-term investments		**–**	(209)
Share-based compensation	14	**1,009**	819
Finance costs		**1,224**	440
Change in fair value of contingent considerations		**107**	116
Share in net earnings of associates less dividends		**–**	(216)
		28,730	26,331
Changes in non-cash operating working capital items	16	**(7,570)**	(20,694)
Income taxes paid		**(3,801)**	(5,786)
Finance costs paid		**(1,158)**	(360)
		16,201	(509)
Investing activities			
Business acquisitions of Lantech Drilling Services Inc., including bank overdraft	2	**(5,445)**	–
Business acquisitions of 1085820 Ontario Limited, net of cash acquired	2	**–**	(3,240)
Business acquisitions of Morris Drilling Inc., net of cash acquired	2	**–**	(2,578)
Proceeds from disposal of investment in associate		**–**	528
Acquisition of property, plant and equipment		**(18,377)**	(18,647)
Proceeds from disposal of property, plant and equipment		**1,675**	1,244
		(22,147)	(22,693)
Financing activities			
Proceeds from issuance of shares		**31**	4
Proceeds from long-term debt		**102,925**	21,507
Repayment of long-term debt		**(94,394)**	(7,121)
		8,562	14,390
Effect of exchange rate changes		**41**	–
Increase (decrease) in cash		**2,657**	(8,812)
Cash (bank overdraft), beginning of year		**(698)**	8,114
Cash (bank overdraft), end of year		**1,959**	(698)

Additional information 16

See accompanying notes to consolidated financial statements.

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

1. DESCRIPTION OF BUSINESS

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

The Company's head office located at 3200, boul. Jean-Jacques Cossette, Val-d'Or (Quebec), Canada. The Company holds interests in several entities, including the percentage of voting rights in its principal subsidiaries as follows:

	% of voting rights
Services de forage Orbit Garant Inc.	100%
9116-9300 Québec inc.	100%
Orbit Garant Ontario Inc.	100%
Drift Exploration Drilling Inc.	100%
Drift de Mexico SA de CV	100%
Forage Orbit Inc. (dissolved September 6, 2012)	100%
9129-5642 Québec inc. (dissolved December 30, 2011)	100%
Lantech Drilling Services Inc. (since December 16, 2011)	100%

2. BUSINESS ACQUISITIONS

Acquisition of Lantech Drilling Services Inc.:

On December 16, 2011, the Company acquired all issued and outstanding shares of Lantech Drilling Services Inc., which provides an expertise in iron ore drilling and geotechnical services, strengthened the team with highly skilled management personnel, drillers and field technicians in Eastern Canada and also provides a strategic entry point to drilling market in West Africa. The purchase price for the transaction was for a total net consideration of $6,614 payable for a cash consideration of $3,506 (calculated using the gross cash consideration of $8,380 less bank overdraft and long term-debt of an amount of $4,874) and $989 through the issuance of 217,082 common shares of the company and a contingent consideration of $2,119. Furthermore, the Company paid a cash consideration of $3,109 as compensation of the net working capital of the company on the acquisition date. The account payable as compensation of the net working capital does not bear interest and was paid five days after the deliverance of the financial statements of Lantech Drilling Services Inc. An amount of $1,050 has been accounted for as intangible assets and $4,056 as goodwill. The amount of goodwill will not be deductible for income tax purposes.

The purchase price of Lantech Drilling Services Inc. is subject to an adjustment of an amount up to $2,400 calculated on the achievement of specified earnings levels over the years ending December 15, 2012, 2013 and 2014. This contingent consideration has been evaluated at fair value at the acquisition date.

Acquisition of 1085820 Ontario Limited (Advantage Control Technologies):

On November 8, 2010, the Company acquired all issued and outstanding shares of 1085820 Ontario Limited, which specialized in technologies and equipment for the development of new technologies for mineral drilling in Canada. This addition of these advanced technologies is expected to increase significantly the productivity, improve health and safety and optimize labour efficiency. The purchase price for the transaction was for a total net consideration of $3,585 payable for a cash consideration of $2,935 and $650 through the issuance of 132,743 common shares of the company and a contingent consideration of $2,014. Furthermore, the Company paid a cash consideration of $521 as compensation of the net working capital of the company on the acquisition date. The account payable as compensation of the net working capital does not bear interest and was paid ten days after the deliverance of the financial statements of 1085820 Ontario Limited. An amount of $4,322 has been accounted for as intangible assets and $1,846 as goodwill. The amount of goodwill will not be deductible for income tax purposes.

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 years ended November 8, 2012, 2013 and 2014 (initially November 8, 2011, 2012 and 2013). This contingent consideration has been evaluated at fair value at the acquisition date. During the year, the management modified the applicable dates for the calculation of the specific earnings levels from November 8, 2011, 2012 and 2013 to November 8, 2012, 2013 and 2014.

Acquisition of Morris Drilling Inc.:

On December 13, 2010, the Company acquired all issued and outstanding shares of Morris Drilling Inc., a surface diamond drilling business in Canada. This acquisition is directly in line with the growth strategy, enhancing the presence in Northern Ontario. The purchase price for the transaction was for a total net consideration of $3,427 payable for a cash consideration of $2,595 and $832 through the issuance of 173,010 common shares of the company. Furthermore, the Company received a cash consideration of $100 as compensation of the net working capital of the company on the acquisition date. The account receivable as compensation of the net working capital does not bear interest and was 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 $1,171 as goodwill. The amount of goodwill will not be deductible for income tax purposes.

The results of operations of 1085820 Ontario Limited, Morris Drilling Inc. and Lantech Drilling Services Inc. are included in the consolidated financial statements from November 8, 2010, December 13, 2010 and December 16, 2011 respectively.

On January 1, 2011, Morris Drilling Inc. merged with 1085820 Ontario Inc. and on February 8, 2011, the legal corporate name of 1085820 Ontario Limited was changed to Orbit Garant Ontario Inc.

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

Business acquisitions date:	Lantech Drilling Services Inc. (December 16 2011) $	1085820 Ontario Ltd. (November 8 2010) $	Morris Drilling Inc. (December13 2010) $
Cash (bank overdraft)	(1,939)	70	17
Accounts receivable	4,588	632	667
Other current assets	4,497	626	262
Property, plant and equipment	5,240	524	738
Goodwill	4,056	1,846	1,171
Intangible assets	1,050	4,322	1,900
Current liabilities	(3,976)	(407)	(922)
Long-term debt	(2,935)	–	–
Deferred income taxes	(858)	(1,118)	(506)
Purchase price	9,723	6,495	3,327
Consideration			
Cash	3,506	3,310	2,595
Issuance of common shares	989	650	832
Account payable (receivable) related to net working capital adjustment	3,109	521	(100)
Contingent consideration	2,119	2,014	–
	9,723	6,495	3,327

Goodwill arising on business acquisitions

Goodwill arose in the business combinations because the consideration paid for the combinations effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce. These benefits are not recognized separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

Business acquisition costs

For the year ended June 30, 2012, business acquisition costs of $372 (2011: $328) related to the transactions described above and were included in the general and administrative expenses in the consolidated statement of earnings.

Impact of business acquisitions on the results

The Company's consolidated revenues and net income attributable to the Company's shareholders in 2012 included approximately $12,629 and $1,804, respectively, from business acquisitions completed in 2012. Had 2012 business acquisitions all occurred on July 1, 2011, the Company's pro-forma consolidated revenues and net income attributable to the Company's shareholders would have been approximately $25,748 and $2,890, respectively. These pro-forma figures have been estimated based on the results of the acquired business prior to being purchased by the Company's adjusted to reflect the Company's accounting policies when significant differences existed, and should not be viewed as indicative of the Company's future results.

For the acquisitions completed in 2011, it is impracticable to estimate the revenue and net income attributed to the additional business generated because the operations have been integrated with existing operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements reflect the first-time adoption of International Financial Reporting Standards ("IFRS"), which replaced Canadian Generally Accepted Accounting Principles ("GAAP") as of January 1, 2011. All disclosures and explanations related to the first-time adoption of IFRS are presented in note 22, which provides information that is considered material to the understanding of the Company's first IFRS financial statements. It also presents a reconciliation of the 2011 financial figures prepared under Canadian GAAP to the 2011 financial figures prepared under IFRS, including a reconciliation of the consolidated statements of earnings, comprehensive earnings and cash flows for the year ended June 30, 2011, as well as a reconciliation of the consolidated balance sheets and equity as of July 1, 2010 and as of June 30, 2011.

The IFRS consolidated financial statements have been prepared based on the following accounting policies:

Basis of presentation

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and IFRS 1, First-time Adoption of IFRS. These consolidated financial statements should be read in conjunction with IFRS transition disclosures included in note 22.

These consolidated financial statements were approved for issue by the Board of Directors of Orbit Garant Drilling Inc. on September 19, 2012.

These consolidated financial statements have been prepared on a historical cost basis, except for the contingent liability, which have been measured at fair value and are presented in Canadian dollars, which is the currency of the primary economic environment in which the Company and its subsidiaries operate ("functional currency").

Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of earnings from the effective date of acquisition and up to the effective date of disposal, as appropriate. Intercompany transactions and balances are eliminated on consolidation.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the fair value of the consideration given in exchange for control of the business acquired at the acquisition date. This consideration can be comprised of cash, assets transferred, financial instruments issued, or future contingent payments. The identifiable assets and liabilities of the business acquired are recognized at fair value at the acquisition date.

Results of operations of a business acquired are included in the Company's consolidated financial statements from the date of the business acquisition. Business acquisition and integration costs are expensed as incurred. Non-controlling interests in an entity acquired are presented in the consolidated balance sheet within equity, separately from the equity attributable to shareholders in the "Equity" section in the consolidated balance sheet.

Foreign currency translation

Financial statements of foreign operations are translated using the rate in effect at the balance sheet date for assets and liabilities, and using the average exchange rates during the period for revenues and expenses. Adjustments arising from foreign currency translation are recorded in other comprehensive earnings.

Foreign currency transactions are transactions in a currency other than the Company's functional currency. Foreign currency transactions are translated to the functional currency by applying the exchange rate prevailing at the date of the transactions. Translation gains and losses on assets and liabilities denominated in a foreign currency are included in the statement of comprehensive earnings.

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	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Bank overdraft	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Contingent consideration	–	Fair value
Long-term debt	Other liabilities	Amortized cost

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Trade receivables

Trade receivables are initially stated at their fair value, less an allowance for doubtful accounts and an allowance for sales returns. The Company establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. Individual trade receivables are written off when management deems them not collectible. 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.

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 and revised inventories are valued at 50% and 75% of cost respectively. The amount of the depreciation of inventories can be reversed when the circumstances that led to the impairment charge in the past no longer exists.

Investments in associates

Investments in associates are accounted for using the equity method. Under this method, the Company's share in net earnings of these companies is presented in the statement of earnings.

Property, plant and equipment

Property, plant and equipment are stated at cost. Cost represents the acquisition costs, net of government grants and investment tax credits, or manufacturing costs, including preparation, installation and testing costs. The manufacturing costs for drilling equipment include the material, direct labour and indirect specific costs.

Borrowing costs are also included in the cost of self-constructed property, plant and equipment. Future expenditures, such as maintenance and repairs, are expensed as incurred.

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

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:

Buildings and components	5 to 40 years
Drilling equipment	5 to 10 years
Vehicles	5 years
Other	3 to 10 years

The amortization begins when the property, plant and equipment are ready for their intended use.

Goodwill

Goodwill initially arising from a business acquisition is measured and recognized as the excess of the fair value of the consideration paid over the fair value of the recognized identifiable assets acquired and liabilities assumed. When the Company acquires less than 100% of the equity interests in the business acquired at the acquisition date, goodwill attributable to the non-controlling interest is also recognized at fair value.

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 months
Drilling technology	60 months
Non-compete agreement	36 months

Amortization methods, residual values and the useful lives of significant intangible assets are reviewed at each financial year-end. Any change is accounted for prospectively as a change in accounting estimate.

Impairment of long-lived assets

For the purposes of assessing impairment, assets are grouped in cash-generating units ("CGU"), which represent the lowest levels for which there are separately identifiable cash inflows generated by those assets. The Company reviews, at each balance sheet date, whether events or circumstances have occurred to indicate that the carrying amounts of its long-lived assets with finite useful lives may be less than their recoverable amounts.

Goodwill, other intangible assets having an indefinite useful life, and intangible assets not yet available for use are tested for impairment on June 30 of each financial year, as well as whenever there is an indication that the carrying amount of the asset, or the CGU to which an asset has been allocated, exceeds its recoverable amount. The recoverable amount is the higher of the fair value, less costs to sell, and the value in use of the asset or the CGU. Fair value, less costs to sell, represents the amount an entity could obtain at the valuation date from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use represents the present value of the future cash flows expected to be derived from the asset or the CGU.

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and attributed to assets in the CGU, pro rated to the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets having an indefinite useful life, other than goodwill, can be reversed through the statement of earnings up to the excess of the recoverable amount of the asset or the CGU over its carrying value.

Income taxes

Current income taxes are recognized with respect to amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in earnings in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to an amount that is more likely than not to be realized. A deferred tax expense or benefit is recognized in other comprehensive earnings or otherwise directly in equity to the extent that it relates to items that are recognized in other comprehensive earnings or directly in equity in the same or a different period.

In the course of the Company's operations, there are a number of uncertain tax positions due to the complexity of certain transactions and due to the fact that related tax interpretations and legislation are continually changing. When a tax position is uncertain, the Company recognizes an income tax benefit or reduces an income tax liability only when it is probable that the tax benefit will be realized in the future or that the income tax liability is no longer probable.

Financing fees

Financing fees related to long-term debt are capitalized in reduction of long-term debt and amortized using the effective interest rate.

Leases

Assets under leasing agreements are classified at the inception of the lease as (i) finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee, or as (ii) operating leases for all other leases. All of the Company's current leases are classified as operating leases.

Operating lease rentals are recognized in the consolidated statement of earnings on a straight-line basis over the period of the lease. Any lessee incentives are deferred and then recognized evenly over the lease term.

Revenue recognition

Revenue from drilling contracts is recognized on the basis of actual meters 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 period. 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. The fair value is recognized as an expense with a corresponding increase in equity settled reserve. The amount recognized as an expense is adjusted to reflect the number of stock options expected to vest. When unexercised stock options are forfeited or expired, the amounts are transferred to retained earnings.

4. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

Estimates, assumptions and judgments are continually evaluated by the Company and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates, assumptions and judgments concerning the future. Actual results could differ from these estimates. The estimates, assumptions and judgments that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are addressed below.

Inventories

Inventory is measured at the lower of cost and net realizable value. In estimating net realizable values, management takes into account the most reliable evidence available at the time the estimates are made. Net realizable value is the estimated selling price less the estimated cost necessary to make the sale. Used and revised inventories are valued at 50% and 75% of cost respectively. The amount of the depreciation of inventories can be reversed when the circumstances that led to the impairment charge in the past no longer exists.

Useful lives of depreciable assets

Amortization methods, residual values and useful lives of property, plant and equipment are reviewed at each reporting date by the management. Any changes is accounted for prospectively as a change in accounting estimate. As at June 30, 2012, management assesses that the useful lives represent the expected utility of the assets to the Company.

Business combinations

On initial recognition, the assets and liabilities of the acquired business are included in the consolidated balance sheet of the Company at their fair values. In measuring fair value, management uses estimates about future cash flows and discount rates, however, the actual results may vary. Any measurement changes upon initial recognition would affect the measurement of Goodwill.

Estimated impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in summary of significant accounting policies. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Current income taxes

The Company is subject to income taxes in various jurisdictions. Judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due in the future. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It established provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income taxes

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Company operates are also carefully taken into consideration. If a forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by Management based on the specific facts and circumstances.

Provisions

Provisions are recognized when (i) the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and when (ii) the amount of the obligation can be reliably estimated.

Provisions are reviewed at each balance sheet date and changes in estimates are reflected in the consolidated statement of earnings in the reporting period in which changes occur.

Contingent considerations

The fair value recognized for contingent considerations has been estimated by Management based on the subsidiaries' results and budget. However, the actual contingent considerations may vary due to unexpected changes in the subsidiaries' activities.

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 which is based on significant assumptions such as volatility, dividend yield and expected term.

Functional currency

The Company applied judgment in determining the functional currency of the Company and its subsidiaries. Functional currency was determined based on the currency that mainly influences sales prices, labour, materials and other costs of providing services.

5. RECENT ACCOUNTING PRONOUNCEMENT

The Company has not early adopted the following new standards and adoption impacts on the consolidated financial statements have not yet been determined:

IFRS 9 – Financial instruments

IFRS 9 simplifies the measurement and classification for financial assets by reducing the number of measurement categories and removing complex rule-driven embedded derivative guidance in IAS 39, Financial Instruments: Recognition and Measurement. The new standard also provides for a fair value option in the designation of non-derivative financial instruments and its related classification and measurement. IFRS 9 is effective from periods beginning January 1, 2015 with early adoption permitted.

IFRS 10 – Consolidated Financial Statements

IFRS 10 replaces SIC-12 Consolidation – Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements and provides additional guidance regarding the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. IFRS 10 is effective from periods beginning January 1, 2013 with early adoption permitted.

IFRS 11 – Joint arrangements

IFRS 11 replaces IAS 31, Interests in Joint Ventures, with guidance that focuses on the rights and obligations of the arrangement, rather than its legal form. It also withdraws the option to proportionately consolidate an entity's interests in joint ventures. The new standard requires that such interests be recognized using the equity method. IFRS 11 is effective from periods beginning January 1, 2013 with early adoption permitted.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose entities and other off balance sheet vehicles. IFRS 12 is effective from periods beginning January 1, 2013 with early adoption permitted.

IFRS 13 – Fair value measurements

IFRS 13 defines fair value, requires the disclosure of estimates at fair value and provides guidance on measuring fair value when required or permitted to do so according to the IFRS standards. IFRS 13 is effective from periods beginning January 1, 2013 with early adoption permitted.

6. EXPENSES BY NATURE

Detail of the amortization expense

The amortization expense of property, plant and equipment and the amortization expense of intangible assets has been charged to the statement of earnings as follows:

	June 30 2012 $	June 30 2011 $
Cost of contract revenue	**8,544**	6,794
General and administrative expenses	**2,932**	1,875
Total amortization	**11,476**	8,669

Principal expenses by nature

Operating, general and administrative expenses, other expenses (revenues) and finance costs, net by nature are as follows:

	June 30 2012 $	June 30 2011 $
Amortization	**11,476**	8,669
Employee benefits expense	**68,097**	54,594
Cost of inventory	**31,661**	27,097
Other expenses	**28,440**	20,630
Total operating, general and administrative expenses and other expenses (revenues)	**139,674**	110,990

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

7. INVENTORIES

Inventories consist of the following:

	June 30 2012 $	June 30 2011 $	July 1 2010 $
Spare parts, gross	**10,651**	7,647	5,242
Consumables, gross	**30,301**	24,381	16,891
Other	**1,084**	1,618	575
	42,036	33,646	22,708

Spare parts mainly include motors and heads. Spare parts are charged to the statement of income when used on equipment. Consumables mainly include destructive tools, hammers, muds, wire lines and casing. Consumables are charged to the statement of income when delivered to the field.

The cost of inventory recognized as an expense and included in cost of contract revenue has been recorded as follows:

	June 30 2012 $	June 30 2011 $
	31,661	27,097

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.

8. INVESTMENTS IN ASSOCIATE

	June 30 2012 $	June 30 2011 $	July 1 2010 $
6483976 Canada Inc. (Usinage X-SPEC):			
4,000 class A shares, representing 40% of the voting shares, 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

9. PROPERTY, PLANT AND EQUIPMENT

Changes in the property, plant and equipment balance were as follows for the periods:

Cost	Land $	Buildings and components $	Drilling equipment $	Vehicles $	Other $	Total $
Balance as at July 1, 2010	761	3,146	33,037	8,519	1,191	46,654
Additions	37	6,047	9,156	2,715	692	18,647
Disposals	(69)	(526)	(1,016)	(426)	-	(2,037)
Business acquisitions (note 2)	–	–	1,053	177	32	1,262
Balance as at June 30, 2011	729	8,667	42,230	10,985	1,915	64,526
Additions	1	613	13,147	3,803	813	18,377
Disposals	(293)	(75)	(2,441)	(429)	(3)	(3,241)
Business acquisitions (note 2)	75	557	4,290	235	83	5,240
Effect of movements in exchange rates	–	–	(24)	(3)	–	(27)
Balance as at June 30, 2012	512	9,762	57,202	14,591	2,808	84,875

Accumulated amortization	Land $	Buildings and components $	Drilling equipment $	Vehicles $	Other $	Total $
Balance as at July 1, 2010	–	234	11,405	2,751	583	14,973
Amortization	–	130	5,190	1,568	271	7,159
Disposals	–	(140)	(437)	(252)	–	(829)
Balance as at June 30, 2011	–	224	16,158	4,067	854	21,303
Amortization	–	549	6,434	2,075	354	9,412
Disposals	–	(21)	(1,434)	(279)	–	(1,734)
Effect of movements in exchange rates	–	–	12	2	–	14
Balance as at June 30, 2012	–	752	21,170	5,865	1,208	28,995
Net book value						
July 1, 2010	761	2,912	21,632	5,768	608	31,681
June 30, 2011	729	8,443	26,072	6,918	1,061	43,223
June 30, 2012	512	9,010	36,032	8,726	1,600	55,880

The gain on disposal of property, plant and equipment totalling $168 for the year ended June 30, 2012 (a gain of $36 for the year ended June 30, 2011) is included in cost of contract revenue.

10. GOODWILL

Changes in the goodwill balance were as follows:

	$
Balance as at July 1, 2010	19,698
Business acquisitions (note 2)	3,017
Balance as at June 30, 2011	22,715
Business acquisitions (note 2)	4,056
Balance as at June 30, 2012	**26,771**

Goodwill acquired

Goodwill arose in the business acquisitions, because the total consideration exceeded the fair value of the net assets acquired. In addition, the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the combined workforce of Orbit Garant and the acquired businesses. These benefits are not recognized separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets.

Allocation of goodwill to CGUs

For the purpose of annual impairment testing goodwill is allocated to the following cash-generating units, which are the units expected to benefit from the synergies of the business combinations in which the goodwill arises:

	June 30 2012 $	June 30 2011 $	July 1 2010 $
Canada	**18,930**	16,844	13,827
International	**7,841**	5,871	5,871
	26,771	22,715	19,698

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

Canada

The recoverable amount of the Canada CGU is determined on a value-in-use calculation, which uses cash flow projections based on financial budgets and forward projections approved by Management, covering a five-year period and a net tax discount rate of 12.3% per annum. Cash flows beyond that period have been extrapolated using a steady 2% per annum growth rate. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

International

The recoverable amount of the International CGU is determined on a value-in-use calculation, which uses cash flow projections based on financial budgets and forward projections approved by Management, covering a five-year period and a net tax discount rate of 18.7% per annum. Cash flows beyond that period have been extrapolated using a steady 2% per annum growth rate. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

Key assumptions

The key assumptions in the value-in-use calculations for Canada and International CGUs are as follows:

Operating costs and capital expenditures

Operating costs and capital expenditures are based on internal management forecasts. Cost assumptions incorporate management experience and expertise, current operating costs, the nature and location of each operation and the risk associated with each operation. Future capital expenditure is based on management's best estimate of required future capital requirements. All committed and anticipated capital expenditures adjusted for future cost estimates have been included in the projected cash flows.

Gross margin

Management's key assumptions include stable profit margin, which has been determined based on past experience in the market. Management expects that gross margin will remain in a range in line with historically achieved levels.

Discount rates

Adjustments to the rate are made for any risks that are not reflected in the underlying cash flows. These rates are based on the weighted average cost of capital for a mining industry group and were calculated based on management estimates.

The Company has performed its annual goodwill impairment testing and did not identity any impairment losses.

11. INTANGIBLE ASSETS

Changes in the intangible assets balance were as follows:

	Customer relationship $	Drilling technology (a) $	Non-compete agreement $	Total $
Cost				
Balance as at July 1, 2010	14,024	–	2,110	16,134
Business acquisitions (note 2)	2,940	2,912	370	6,222
Balance as at June 30, 2011	16,964	2,912	2,480	22,356
Business acquisitions (note 2)	1,050	–	–	1,050
Balance as at June 30, 2012	18,014	2,912	2,480	23,406

	Customer relationship $	Drilling technology (a) $	Non-compete agreement $	Total $
Accumulated amortization				
Balance as at July 1, 2010	13,257	–	1,503	14,760
Amortization	1,026	–	484	1,510
Balance as at June 30, 2011	14,283	–	1,987	16,270
Amortization	1,174	582	308	2,064
Balance as at June 30, 2012	15,457	582	2,295	18,334
Net book value				
July 1, 2010	767	–	607	1,374
June 30, 2011	2,681	2,912	493	6,086
June 30, 2012	2,557	2,330	185	5,072

(a) The drilling technology has not been amortized during the year ended June 30, 2011, because it was still in development.

12. LONG-TERM DEBT

	June 30 2012 $	June 30 2011 $	July 1 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)	**25,590**	14,618	–
Loans, bearing interest at rates ranging from 0% to 1.5%, payable in monthly instalments of $39, maturing in September 2014, secured by certain vehicles of a net book value of $1,183 as at June 30, 2012, $550 as at June 30, 2011 and $552 as at July 1, 2010	**782**	223	375
	26,372	14,841	375
Current portion	**(401)**	(168)	(203)
	25,971	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 $210 ($276 as at June 30, 2011 and nil as at July 1, 2010), 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 (note 13).

On June 30, 2012, the prime rate was 3% (3% as at June 30, 2011 and 2.5 % as at July 1, 2010).

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

	$
2013	401
2014	316
2015	25,865

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

13. 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 2012 $	June 30 2011 $	July 1 2010 $
Bank overdraft	**–**	698	–
Long-term debt	**26,372**	14,841	375
Share capital	**54,411**	53,386	51,898
Equity settled reserve	**3,524**	2,520	1,703
Retained earnings	**57,797**	47,437	35,991
Cash	**(1,959)**	–	(8,114)
	140,145	118,882	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. As of June 30, 2012, June 30, 2011 and July 1, 2010, 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 year.

14. SHARE CAPITAL

Authorized, an unlimited number of common and preferred shares:

Common shares, participating and voting, without nominal or par value

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, 2012		June 30, 2011	
	Number of shares	**$**	Number of shares	$
Balance, beginning of the year	**33,048,937**	**53,406**	32,738,684	51,918
Shares issued:				
For business acquisitions (a)	**217,082**	**989**	305,753	1,482
Stock option exercised	**10,500**	**16**	4,500	6
	33,276,519	**54,411**	33,048,937	53,406
Share purchase financing (b)	**–**	**–**	–	(20)
Balance, end of the year	**33,276,519**	**54,411**	33,048,937	53,386

(a) Issuance of common shares:

As at December 16, 2011, the Company issued a total of 217,082 common shares for a total amount of $989 as part of the consideration for the acquisition of Lantech Drilling Services Inc. (see Note 2).

During the year ended in June 30, 2011, the Company issued a total of 305,753 common shares in November and December 2010 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. Interest on the principal of the loan is calculated and compounded annually at a rate of 8%. The loan was repaid in June 2012.

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 2012	June 30 2011
Earnings per share – basic		
Net earnings available to common shareholders	**$ 10,360**	$ 11,446
Weighted average basic number of common shares outstanding	**33,175,208**	32,918,727
Earnings per share – basic	**$ 0.31**	$ 0.35
Earnings per share – diluted		
Net earnings available to common shareholders	**$ 10,360**	$ 11,446
Weighted average basic number of common shares outstanding	**33,175,208**	32,918,727
Adjustment to average number of common shares – stock options	**955,726**	851,336
Weighted average diluted number of common shares outstanding	**34,130,934**	33,770,063
Earnings per share – diluted	**$ 0.30**	$ 0.34

2007 stock option plan

In January 2007, the Board of Directors adopted an equity settled stock option plan « 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 equity settled option plan « 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 company controlled by any such person or a family trust of which at least one trustee is any such person and all of the beneficiaries of which are such person and his or her spouse or children.

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

The Board of Directors, through the recommendation of the Corporate Governance and Compensation 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.

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

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 July 1, 2010	1,973,000	2.42
Granted during the year	365,000	5.73
Exercised during the year	(4,500)	1.00
Outstanding as at June 30, 2011	2,333,500	2.94
Granted during the year	300,000	5.60
Exercised during the year	(10,500)	1.00
Outstanding as at June 30, 2012	2,623,000	3.25
Exercisable as at June 30, 2012	1,726,000	2.29

The following table summarizes information on stock options outstanding at June 30, 2012:

Range of exercise price $	Outstanding at June 30, 2012	Weighted average remaining life (years)	Weighted average exercise price $	Exercisable at June 30, 2012	Weighted average exercise price $
1.00 - 1.50	1,033,000	4.62	1.02	1,033,000	1.02
4.00	925,000	6.44	4.00	620,000	4.00
5.60 - 6.02	665,000	5.85	5.67	73,000	5.73
	2,623,000			1,726,000	

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

	Granted in November 2011	Granted in February 2011	Granted in November 2010
Risk-free interest rate	2.07%	2.31%	1.84%
Expected life (years)	5	5	5
Expected volatility (based on historical volatility)	70.06%	67.96%	68.88%
Expected dividend yield	0%	0%	0%
Fair value of options granted	$ 3.76	$ 3.45	$ 3.17

During the years mentioned below, the total expense related to share-based compensation to employees and directors has been recorded and presented in general and administrative expenses as follows:

	June 30 2012 $	June 30 2011 $
Expense related to share-based compensation	**1,009**	819

15. INCOME TAXES

Income tax expense comprises the following:

	June 30 2012 $	June 30 2011 $
Current tax		
Current year	**4,713**	5,569
Prior year adjustments	**(3)**	78
	4,710	5,647
Deferred tax		
Current year	**(11)**	(348)
Effect of corporate tax rate modification	**23**	3
	12	(345)
	4,722	5,302

Income tax expense differs from the amounts calculated by applying Canadian statutory rates (federal and provincial) with details as follows:

	June 30 2012 $	June 30 2011 $
Earnings before income taxes	**15,082**	16,748
Statutory rates	**27.27%**	29.20%
Income taxes based on statutory rates	**4,112**	4,890
Increase (decrease) of income taxes to the following:		
Non-deductible expenses and other	**304**	193
Non-deductible share-based compensation expense	**275**	239
Non-taxable share in net earnings of a company subject to significant influence	**–**	(66)
Effect of corporate tax rate modification	**23**	3
Prior year adjustments	**(3)**	78
Non-taxable portion of capital gain	**(3)**	(69)
Change in fair value of contingent consideration	**14**	34
Total income taxes	**4,722**	5,302

Deferred 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 $	Recognized in statements of earnings $	Business acquisitions (Note 2) $	June 30 2012 $
Deferred income tax assets:				
Share issue costs	217	(217)	–	**–**
Long-term investments	–	–	–	**–**
Total deferred income tax assets	217	(217)	–	**–**
Deferred income tax liabilities:				
Property, plant and equipment	1,098	344	577	**2,019**
Intangible assets	1,734	(549)	281	**1,466**
Total deferred income tax liabilities	2,832	(205)	858	**3,485**
Net deferred income tax liabilities	2,615	12	858	**3,485**

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

	June 30 2010 $	Recognized in statements of earnings $	Business acquisitions (Note 2) $	June 30 2011 $
Deferred income tax assets:				
Share issue costs	444	(227)	–	217
Long-term investments	13	(13)	–	–
Total deferred income tax assets	457	(240)	–	217
Deferred income tax liabilities:				
Property, plant and equipment	1,313	(215)	–	1,098
Intangible assets	479	(370)	1,625	1,734
Total deferred income tax liabilities	1,792	(585)	1,625	2,832
Net deferred income tax liabilities	1,335	(345)	1,625	2,615

16. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

Changes in non-cash operating working capital items:

	June 30 2012 $	June 30 2011 $
Accounts receivable	**2,688**	(10,577)
Inventories	**(3,980)**	(10,068)
Prepaid expenses	**(389)**	(228)
Accounts payable and accrued liabilities	**(5,889)**	179
	(7,570)	(20,694)

17. COMMITMENTS

The Company has entered into operating lease agreements expiring in 2017 which call for lease payments of $612 for the rental of vehicles. The Company has also entered into lease agreements for offices expiring in 2021 for minimum lease payments of $1,535. None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions. The minimum lease payments under lease agreements for the next five years are detailed as follows:

	$
2013	468
2014	393
2015	297
2016	208
2017	188
Subsequent years	593

Lease payments recognised as an expense during the year amount to $369 (year ended June 30, 2011: $153). This amount consists of minimum lease payments. No sublease payments or contingent rent payments were made or received. No sublease income is expected as all assets held under lease agreements are used exclusively by the Company.

18. RELATED PARTY TRANSACTIONS

The company is related to 2867-3820 Québec inc., a company owed 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 2012 $	June 30 2011 $
Sales – 6483976 Canada Inc.	**–**	47
Purchases – 6483976 Canada Inc.	**–**	1,267
Rent – 2867-3820 Québec inc.	**20**	95

All of these related party transactions are measured at fair value.

19. KEY MANAGEMENT PERSONNEL COMPENSATION

The remuneration recognized for key management remuneration and director's fees are analyzed as follows:

	June 30 2012 $	June 30 2011 $
Salaries and fees	**1,422**	1,229
Share-based compensation	**708**	988
	2,130	2,217

20. 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 years, 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, 2012, the Company has cash in US dollars for an amount of $935 (June 30, 2011, $296; July 1, 2010, $228) and accounts receivable in US dollars for an amount of $2,195 (June 30, 2011, $388; July 1, 2010, $516).

As at June 30, 2012, the Company has estimated that a 10% increase or decrease of the US exchange rate would have caused a corresponding annual increase or decrease in net earnings and comprehensive earnings of approximately $193 (June 30, 2011, $18).

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, 2012, the amount of the insurance coverage from EDC represents approximately 24% of the accounts receivable (33% in June 30, 2011; 53% in July 1, 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.

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

The allowance for doubtful accounts is established based on Company's best estimate on the recovery of balances for which collection may be uncertain. Uncertainty of collection may become apparent from various indicators, such as a deterioration of the credit situation of a given client or delay in collection when the aging of invoices exceeds the normal payment terms. Management regularly reviews accounts receivable and assesses the appropriateness of the allowance for doubtful accounts.

The change in the allowance for doubtful accounts is detailed below:

	June 30 2012 $	June 30 2011 $
Balance at beginning of year	**734**	1,070
Change in allowance, other than write-offs and recoveries	**315**	5
Write-offs or trade receivables	**(733)**	–
Recoveries	**(8)**	(341)
Balance at end of year	**308**	734

As at June 30, 2012, 43% (June 30, 2011: 43% and July 1, 2010: 54.9%) of the trade accounts receivable are aged as current and 1% are impaired (June 30, 2011: 2% and July 1, 2010: 5%).

Two major customers represent 34% of the trade accounts receivable as at June 30, 2012 (June 30, 2011, one major customer represents 13% and on July 1, 2010, one customer represented 10% of these accounts).

One major customer represents 15% of the contract revenue for the year ended June 30, 2012 (year ended June 30, 2011, no 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 ratings.

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, 2012, the Company has estimated that a 1% point increase or decrease in interest rates would have caused a corresponding annual increase or decrease in net earnings of approximately $187 (June 30, 2011, $105: no significant impact on July 1, 2010).

Fair value

The fair value of cash, accounts receivable, bank overdraft and accounts payable and accrued liabilities 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 a variable rate and has financing conditions similar to those currently available to the Company. The fair value on the contingent consideration has been evaluated as of a discounted rate value.

Fair value hierarchy

The methodology used to measure the Company's financial instruments accounted for at fair value is determined based on the following hierarchy:

Level	Basis for determination of fair value
Level 1	Quoted prices in active markets for identical assets or liabilities;
Level 2	Inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the asset or liability;
Level 3	Inputs for the asset or liability that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

As at June 30, 2012 and 2011, the contingent considerations, the only financial instruments at fair value, are classified as a Level 3 financial instrument as the fair value is determined using a discounted rate value. There is no observable inputs for that financial instrument.

The changes in the contingent considerations are detailed below:

	June 30 2012 $	June 30 2011 $
Balance at beginning of year	**2,130**	–
Business acquisitions (note 2)	**2,119**	2,014
Change in fair value of contingent considerations	**107**	116
Balance at end of year	**4,356**	2,130

There were no transfers of amounts between Level 1, Level 2 and Level 3 financial instruments for the year ended June 30, 2012 and 2011.

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 13 are details of undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

	As at June 30, 2012			
	Total $	0–1 year $	2–3 years $	4–5 years $
Accounts payable and accrued liabilities	20,206	20,206	–	–
Contingent considerations	4,800	1,600	3,200	–
Long-term debt (capital only)	26,582	401	316	25,865
	51,588	22,207	3,516	25,865

	As at June 30, 2011			
	Total $	0–1 year $	2–3 years $	4–5 years $
Bank overdraft	698	698	–	–
Accounts payable and accrued liabilities	19,009	19,009	–	–
Contingent consideration	2,400	800	1,600	–
Long-term debt (capital only)	15,117	168	55	14,894
	37,224	20,675	1,655	14,894

	As at July 1, 2010			
	Total $	0–1 year $	2–3 years $	4–5 years $
Accounts payable and accrued liabilities	17,158	17,158	–	–
Long-term debt (capital only)	375	203	172	–
	17,533	17,361	172	–

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

21. SEGMENTED INFORMATION

The Company is separated into two geographical segments: Canada and International (US, Central and South America and West Africa). The elements of the results and the financial situation are divided between the sectors, based on destination of contracts or profits. Data by geographical areas follow the same accounting rules as those used for the consolidated accounts. Transfers between sectors are carried out at market prices.

Operational sectors are presented using the same criteria as for the production of the internal report to the chief operations decision maker; who allocates the resources and evaluates the performance of the operational sectors. The chief operations decision maker is considered as the President and Chief Executive, who evaluates the performance of both sectors by the revenues of ordinary activities from external clients, gross margin and net income.

Data relating to each of the Company's reportable segments is presented as follows:

	June 30 2012 $	June 30 2011 $
Contract revenue		
Canada	**132,925**	108,725
International	**21,831**	19,013
	154,756	127,738
Gross profit		
Canada	**22,482**	18,514
International	**11,180**	9,960
	33,662	28,474
General corporate expenses	**17,249**	11,604
Finance costs	**1,331**	556
Share in net earnings of associate	**–**	(225)
Gain on long-term investments	**–**	(209)
Income taxes	**4,722**	5,302
	23,302	17,028
Net earnings	**10,360**	11,446
Amortization		
Canada	**7,577**	5,931
International	**967**	863
Unallocated and corporate assets	**2,932**	1,875
	11,476	8,669

	As at June 30, 2012 $	As at June 30, 2011 $	As at July 1, 2010 $
Identifiable assets			
Canada	**153,707**	130,040	100,764
International	**16,444**	12,596	7,696
	170,151	142,636	108,460
Property, plant and equipment			
Canada	**49,939**	39,415	28,210
International	**5,941**	3,808	3,471
	55,880	43,223	31,681

22. TRANSITION TO IFRS

These consolidated financial statements are prepared in accordance with IFRS, as described under accounting policies (note 3). The date of the opening balance sheet under IFRS and the Company's date of transition to IFRS is July 1, 2010. The IFRS 1 requires the presentation of Comparative Financial Information and imposes to the First-time adopters to apply retrospectively, all the IFRS standards in effect for the Company, for the year ended June 30, 2012. However, it provides certain optional exemptions and certain mandatory exceptions for the First-time IFRS adopters.

Prior to the adoption of IFRS, for all periods up to and including the year ended June 30, 2010, the Company's consolidated financial statements were prepared in accordance with Canadian GAAP. The Company applied IFRS 1 *First-time Adoption of IFRS* to prepare its first consolidated financial statements. The transition incidence to IFRS on equity, net earnings, comprehensive earnings and cash flows is presented and described in this note and is explained in more detail in the notes relative to the chart .

Initial choices on adoption

The Company has applied IFRS 1 in preparing these consolidated financial statements. The Company is required to establish IFRS accounting policies as of the transition date and, in general, to apply these retrospectively to determine the IFRS opening balance sheet at July 1, 2010. This Standard provides a number of mandatory exceptions and optional exemptions to this general principle of retrospective application when implementing the translation of Canadian GAAP to IFRS for the Company. Descriptions of applicable exemptions and exceptions are set out below, together with the Company's elections:

Mandatory exceptions to IFRS adopted by the Company

Estimates - In accordance with IFRS 1, an entity's estimates under IFRS as of the transition date to IFRS must be consistent with estimates made for the same date under previous Canadian GAAP, unless there is objective evidence that those estimates were in error. The estimates previously made by the Company under Canadian GAAP were not revised on the application of IFRS.

Optional choices applied by the Company

Business Combinations – IFRS 1 provides the option to apply IFRS 3R (revised), *Business Combinations*, retrospectively or prospectively from the transition date. A retrospective basis would require restatement of all business combinations that occurred prior to the transition date. The Corporation has elected not to apply IFRS 3R retrospectively to business combinations that occurred before the date of transition. These business combinations were not restated. Accordingly, IAS 27, Consolidated and Separate Financial Statements, is also applied prospectively. Any goodwill arising on acquisition differences has not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying this exemption.

Reconciliation of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior years. The Company's first time adoption of IFRS did not have an impact on the total operating, investing or financing cash flows. The following represents the reconciliations from Canadian GAAP to IFRS for the respective years noted: the equity, earnings and comprehensive earnings.

Reconciliation of Equity

As at:	Explanation	June 30, 2011 $	July 1, 2010 $
Equity under Canadian GAAP		103,787	89,592
Differences with the Canadian GAAP decreasing reported equity:			
Business acquisition expenses	(c)	(328)	–
Contingent consideration	(b)	(116)	–
Total equity under IFRS		103,343	89,592

Reconciliation of earnings and comprehensive earnings

For the year ended :	Explanation	June 30, 2011 $
Net earnings and comprehensive earnings under Canadian GAAP		12,128
Differences in GAAP decreasing reported earnings:		
Business acquisition expenses	(c)	(328)
Change in fair value of contingent consideration	(b)	(116)
Share-based compensation	(a)	(238)
Net earnings and comprehensive earnings under IFRS		11,446

Changes in accounting policies

In addition to the exemptions and exceptions discussed above, the following narratives explain the significant differences between the previous Canadian GAAP accounting policies and the current IFRS policies applied by the Company.

Share-based compensation

Under IFRS, when a share-based payment vests in instalments over a vesting period ("graded vesting"), each instalment is accounted for as a separate arrangement as compared to Canadian GAAP, which gave the choice of treating the instruments as a pool, with the measurement being determined using the average life of the awards granted.

Reconciliation of Canadian GAAP to IFRS

IFRS uses a conceptual framework which is similar to the Canadian GAAP. But there are important differences that exist in certain standards evaluation and disclosure. Though the adoption of IFRS did not change the Company's cash flow, it did bring changes to the Company's balance sheets and the activity results. In order to allow the financial statement users to better understand these changes, to the Company's consolidated balance sheet, consolidated statement of earnings and comprehensive earnings prepared according to Canadian GAAP were restated according to the IFRS Standards at different dates and the differences in the statements are explained, as required by IFRS 1.

Consolidated balance sheet as of July 1, 2010

	Explanation	Canadian GAAP $	IFRS adjustments $	IFRS reclass $	IFRS $
ASSETS					
Current assets					
Cash		8,114			**8,114**
Accounts receivable		21,188			**21,188**
Inventories		22,708			**22,708**
Income taxes receivable		2,351			**2,351**
Prepaid expenses		460			**460**
		54,821	–	–	**54,821**
Non-current assets					
Investments in associate		886			**886**
Property, plant and equipment		31,681			**31,681**
Goodwill		19,698			**19,698**
Intangible assets		1,374			**1,374**
Total assets		108,460	–	–	**108,460**
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		17,158			**17,158**
Current portion of long-term debt		203			**203**
		17,361	–	–	**17,361**
Non-current liabilities					
Long-term debt		172			**172**
Deferred tax liabilities		1,335			**1,335**
		18,868	–	–	**18,868**
EQUITY					
Share capital		51,898			**51,898**
Equity settled reserve	(a)	1,369	334		**1,703**
Retained earnings	(a)	36,325	(334)		**35,991**
Total equity attributable to shareholders		89,592	–	–	**89,592**
Total liabilities and equity		108,460	–	–	**108,460**

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

Consolidated statement of earnings and comprehensive earnings for the year ended June 30, 2011

	Explanation	Canadian GAAP $	IFRS adjustments $	IFRS reclass $	IFRS $
Contract revenue		127,738			**127,738**
Cost of contract revenue	(d)	92,471		6,793	**99,264**
Gross profit		35,267	–	(6,793)	**28,474**
Expenses					
General and administrative expenses	(a), (c), (d)	9,247	566	1,750	**11,563**
Amortization of property, plant and equipment	(d)	7,159		(7,159)	**–**
Amortization of intangible assets	(d)	1,510		(1,510)	**–**
Foreign exchange losses	(d)	41		(41)	**–**
Gain on disposal of property, plant and equipment	(d)	(126)		126	**–**
Interest on long-term debt	(d)	258		(258)	**–**
Interest and bank charges	(b), (d)	182	116	(298)	**–**
Other operating expenses	(d)	–		41	**41**
Finance costs	(d)	–		556	**556**
		18,271	682	(6,793)	**12,160**
Earnings before the following items		16,996	(682)	–	**16,314**
Share in net earnings of associate		225			**225**
Gain on investments in associate		209			**209**
Earnings before income taxes		17,430	(682)	–	**16,748**
Income taxes		5,302			**5,302**
Net earnings and comprehensive earnings		12,128	(682)	–	**11,446**

Consolidated balance sheet as of June 30, 2011

	Explanation	Canadian GAAP $	IFRS adjustments $	IFRS reclass $	IFRS $
ASSETS					
Current assets					
Accounts receivable		33,865			**33,865**
Inventories		33,646			**33,646**
Income taxes receivable		2,412			**2,412**
Prepaid expenses		689			**689**
		70,612	–	–	**70,612**
Non-current assets					
Property, plant and equipment		43,223			**43,223**
Goodwill	(b), (c)	21,061	1,654		**22,715**
Intangible assets	(b)	6,044	42		**6,086**
Total assets		140,940	1,696	–	**142,636**
LIABILITIES					
Current liabilities					
Bank overdraft		698			**698**
Accounts payable and accrued liabilities		19,009			**19,009**
Contingent consideration	(b)	–	774		**774**
Current portion of long-term debt		168			**168**
		19,875	774	–	**20,649**
Non-current liabilities					
Contingent consideration	(b)	–	1,356		**1,356**
Long-term debt		14,673			**14,673**
Deferred tax liabilities	(b)	2,605	10		**2,615**
		37,153	2,140	–	**39,293**
EQUITY					
Share capital		53,386			**53,386**
Equity settled reserve	(a)	1,948	572		**2,520**
Retained earnings	(a), (b), (c)	48,453	(1,016)	–	**47,437**
Total equity attributable to shareholders		103,787	(444)	–	**103,343**
Total liabilities and equity		140,940	1,696	–	**142,636**

(a) Share-based compensation

Canadian GAAP – For grants of share-based awards with graded vesting, the total fair value of the award is recognized on a straight-line basis over the employment period necessary to vest the award.

IFRS – Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis. As a result, the Company adjusted its expense for share-based awards to reflect this difference in recognition for all stock options granted.

(b) Business combinations – Contingent consideration

Canadian GAAP – Contingent consideration was recognized as part of the purchase price when it was paid.

IFRS – Contingent consideration is recognized at fair value at the date of the acquisition date. The Company has booked a contingent consideration related to the acquisition of 1085820 Ontario Limited (Advantage Control Technologies).

(c) Business combination – Acquisition costs

Canadian GAAP – The acquisition costs were accounted for as part of the purchase price.

IFRS – The acquisition costs are accounted for as an expense in the statement of earnings. The Company accounted for in the statement of earnings the acquisition costs related to the acquisitions of 1085820 Ontario Limited (Advantage Control Technologies) and Morris Drilling inc.

(d) Statement of earnings reclassification

Canadian GAAP – The income statement should present fairly the results of operations for the year and should provide some specific information, however the concept of the classification either by nature or by function is not addressed.

IFRS – An entity shall present an analysis of expenses recognized in profit and loss using a classification based on either their nature or their function within the entity, whichever provides information that is reliable and more relevant. The Company believes that the classification of its expenses by function is more relevant.

As a result, the amortization has been reclassified between cost of contract revenue and general and administrative expenses. Also, interest on long-term debt, interest and bank charges, foreign exchange losses and gain on disposal of property plant and equipment has been reclassified in their respective function.

DIRECTORS AND OFFICERS

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 and Director,
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 Corporate Governance and Compensation Committee.
* Denotes Committee Chair

Officers

Eric Alexandre
President and Chief Executive Officer

Pierre Alexandre
Vice Chairman and Vice President of Corporate Development

Alain Laplante
Vice President and Chief Financial Officer

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Stock Exchange Listing
Toronto Stock Exchange
Trading Symbol: OGD

Common Shares Outstanding
33,276,519 (as at June 30, 2012)

General Counsel
Goodmans LLP
Gowlings Lafleur Henderson S.E.N.C.R.L./LLP

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

Investor Relations
alain.laplante@orbitgarant.com

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Annual Meeting
Annual and special meeting of shareholders
on Thursday, November 8, 2012 in Montreal
at The Fairmont Queen Elizabeth,
900 Boulevard Rene-Levesque West – Ramezay Room.
The meeting will commence at 10:00 a.m. (ET).

Designed by **bmir** Bryan Mills Iradesso www.bmir.com

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