FORAGE
ORBIT GARANT
DRILLING

INNOVATION | VERTICAL INTEGRATION | SPECIALIZED DRILLING | HEALTH & SAFETY | DIVERSIFICATION

2014 ANNUAL REPORT

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 214 drills and approximately 600 employees. Orbit Garant provides drilling and project management 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.

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

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

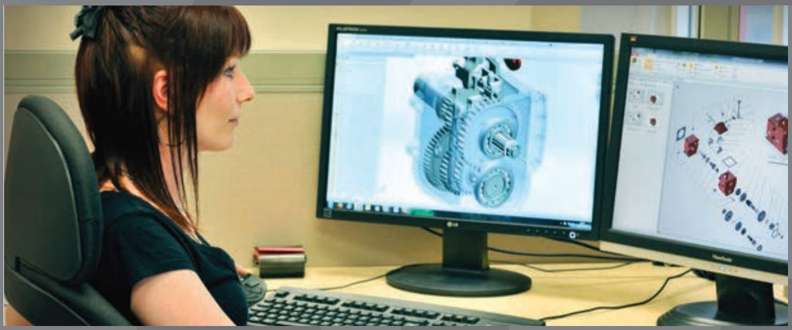
VALUES **Team Work:** Prioritize and facilitate the exchange of knowledge and expertise to maximize personal contribution to the success of each project. **Respect:** Establish and maintain relationships between our employees, customers and business partners, based on transparency, honesty, integrity, confidence and awareness. **Health and Safety:** Ensure that our employees benefit from a 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 industry.

ORBIT GARANT AT A GLANCE

INNOVATION

Continuous innovation is a key priority for Orbit Garant. Our recent development of computerized monitoring and control technology has enabled us to achieve improved drilling accuracy, consistency of results, and greater productivity. Further, our customers can monitor our drilling progress, view core samples, and access detailed performance reports on demand, all via the internet. Other examples of the custom equipment and technologies we've developed include mobile surface drills with rubber traction to minimize impact on sensitive terrain; modular, heli-portable surface drill rigs; and water recirculation and filtration systems for project sites where water use is restricted. By staying at the forefront as an innovator, Orbit Garant is establishing leadership for the long term.

VERTICAL INTEGRATION



Through our manufacturing subsidiary, Soudure Royale, we manufacture custom surface and underground drill rigs and equipment to meet our customers' specific project requirements. We can produce most drill rigs within a two- to three-week time frame, at about half the cost of an external supplier. We integrate service delivery with the design and manufacturing process, so we are well positioned to provide our customers with turn-key project solutions. Working with our engineering departments, we also design, modify and manufacture specialty support equipment, including water recirculation and heat recovery systems, and systems that enhance fuel efficiency. Soudure Royale also performs drill rig maintenance services to support optimum utilization rates for Orbit Garant, and manufactures conventional drill rigs for third parties.

SPECIALIZED DRILLING

Specialized drilling services are typically required when the scope, complexity or technical nature of a project exceeds the capacity or capability of smaller conventional drilling companies. As the world's more accessible ore bodies become increasingly depleted, finding and extracting new mineral resources will involve exploration and development activities in more remote areas, often at greater depths, and with difficult terrain and climate conditions. This will increase the long-term demand for specialized drilling. Orbit Garant's specialized drilling services can handle complex underground and surface projects, larger diameter holes, deeper holes and remote projects that require heli-portable drilling. Specialized drilling contracts are typically charged at a higher rate and have longer terms due to the complex nature of the work.

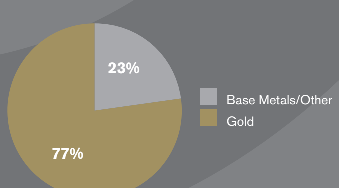
HEALTH & SAFETY

Workplace safety is vital to the success of every project. Our drillers and driller helpers utilize complex technology, handle heavy equipment and manage project sites that are often in remote locations under extreme weather conditions. Accordingly, Orbit Garant is focused on ensuring high health and safety standards. We have a comprehensive health and safety program so that our drillers receive the necessary training to ensure a safe workplace. We are committed to continuous improvement of our prevention mechanisms, technology and equipment, training and policy compliance to ensure the health, effectiveness and productivity of our workforce. Orbit Garant has been honoured by MASHA (Mines and Aggregates Safety and Health Association) for industry-leading performance in the prevention of workplace incidents across the mining industry in 2008 and 2010.

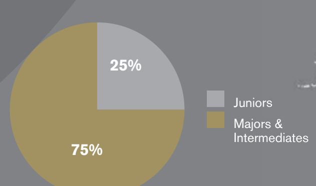
DIVERSIFICATION

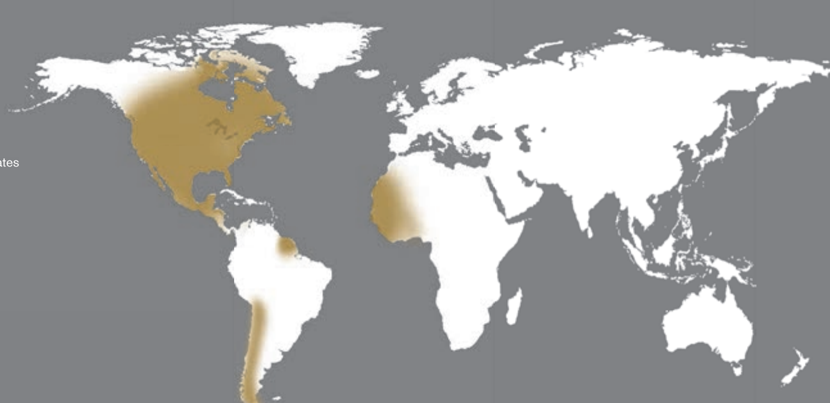
Orbit Garant's roots are in the Abitibi-Témiscamingue region of northwestern Quebec, within the prolific Abitibi gold belt. Our historical focus has been on providing surface and underground diamond drilling for gold mining companies. While drilling within this region remains the core of our business, over the years we have gradually expanded our Canadian footprint from our Val-d'Or headquarters, establishing field operations in Sudbury, Ontario, and Moncton, New Brunswick. We have also exported our expertise internationally, working on projects in the U.S., Mexico, Guyana, Mauritania, Liberia and Ghana. We recently established new field operations in Chile and Ghana. As our market presence has expanded, so too has our commodity exposure and drilling expertise, as we now also drill for base metals and iron ore, and our service offering includes reverse circulation, advanced directional and geotechnical drilling.

Resources

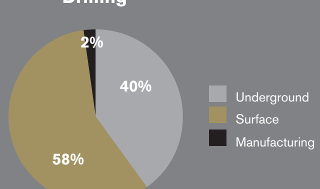


Customers

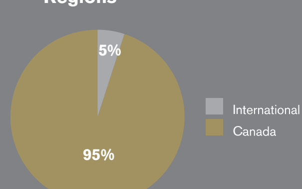




Drilling



Regions



Guthrie J. Stewart
Chairman of the Board

Eric Alexandre
President and Chief Executive Officer

To our shareholders,

The mineral drilling industry continues to be impacted by highly challenging market conditions. Many senior and intermediate mining companies that scaled back their drilling programs in 2013 have exercised further restraint in 2014. The result is that our new or renewed contracts have frequently encompassed shorter durations, reduced metres and a lower component of specialized drilling, which is typically charged at a higher rate. At the same time, exploration activities by junior mining companies remain at historically low levels due to a lack of capital.

A key focus during the year was protecting our market share and we were successful in doing so, which will pay off as the mineral drilling industry recovers. We have not lost any of our significant customer contracts and we continue to bid on new projects.

In response to current market conditions, we are managing our staff and inventory levels, capital expenditures and balance sheet accordingly. As at June 30, 2014, our long-term debt, including the current portion, was $8.5 million, compared to $14.8 million a year ago. Over the past two fiscal years, we have reduced our debt level by more than $17.8 million. Our capital expenditure budget for fiscal 2015 is $7.0 million, up from $3.4 million last year, reflecting an increased number of attractive business development initiatives that we are pursuing. Looking ahead, we will remain focused on continued financial discipline, while also retaining our key personnel and supporting our core competitive strengths.

Orbit Garant is one of the few drilling service providers that are vertically integrated, which enables us to help our customers plan and execute all aspects of their drilling programs, from exploration to development and production.

Despite this external environment, Orbit Garant finished the year with positive annual cash flow from operations, before non-cash operating working capital items, reduced debt and streamlined operations. We are well positioned for success when the market environment improves.

We drilled 825,271 metres in fiscal 2014, down from 996,803 metres in fiscal 2013. Our average revenue per metre drilled in fiscal 2014 was $85.17, compared to $102.89 last year, reflecting pricing pressure from customers and a decline in our specialized drilling activities as customers continue to postpone more cost-intensive drilling projects. Specialized drilling accounted for just 38% of our revenue in 2014, compared to 61% in fiscal 2013 which is more in line with our historical rates for specialized drilling. When market conditions improve, we expect a return to historical levels.

Orbit Garant is one of the few drilling service providers that is vertically integrated, which enables us to help our customers plan and execute all aspects of their drilling programs, from exploration to development and production. Our manufacturing subsidiary, Soudure Royale, provides us with a unique competitive advantage as it enables us to build custom drill rigs in a two- to three-week time frame, at a cost that is significantly lower than purchasing from an external supplier. Soudure Royale also performs in-house rig maintenance services that support optimum drill rig utilization rates and manufactures other project support equipment and consumables.

We are still in the early stages of capitalizing on our innovative computerized monitoring and control drilling technology. In employing this technology, our customers are able to monitor our drilling progress, view core samples, and access detailed performance reports on demand, all via the internet. From an operating standpoint, we achieve improved accuracy and consistency of results, enabling our experienced drillers to significantly increase productivity, while less experienced drillers can move faster along the learning curve compared to conventional drill rigs. Our 20 computerized drill rigs are all currently deployed on customer projects and performing well.

In deployments on customer projects to date, we have achieved more than 25% greater productivity compared to conventional drilling, we are using far fewer consumables and rig components are lasting longer. Each of these factors contributes to enhanced customer value, improved operating performance and strengthened competitive advantage. Our customers appreciate the improved performance and potential of our new computerized drill rigs, which has recently enabled us to renew underground drilling contracts for longer terms. Over time, as we continue to deploy more computerized rigs in the market, we will benefit both in terms of customer loyalty and profitability.

We have also expanded our international business development activities with a new office in Chile and new personnel in West Africa, so that we are better positioned to seize new market opportunities and further strengthen customer relationships. We recently secured our first drilling contract in Chile, which is scheduled to commence in the second quarter of fiscal 2015. The contract is for both underground and surface drilling services. We are excited by the opportunity to begin raising the profile of Orbit Garant in Chile, one of the world's largest mineral drilling markets.

While market conditions may remain challenging in the near term, we believe Orbit Garant is very well positioned to respond to customer demand and seize growth opportunities as market conditions improve. We believe that current pricing levels may not be sustainable beyond the near term, as many drilling service providers will not be able to maintain the skilled personnel and high quality equipment necessary to meet demanding customer objectives. We are confident that long-term global demand for ferrous and non-ferrous metals, combined with depleting reserves and resources, will ultimately result in a significant increase in exploration and development activities by mining companies. When this time comes, professional mineral drilling service providers, like Orbit Garant, that can provide the scale of resources, proven expertise and high quality equipment necessary to meet today's challenges in mineral resource delineation and development, will be in high demand.

While market conditions may remain challenging in the near term, we believe Orbit Garant is very well positioned to respond to customer demand and seize growth opportunities as market conditions improve.

We remain committed to our long-term strategic direction. We will maintain our competitive strengths through our continued focus on innovation, specialized drilling, highly skilled personnel, and leading health and safety and environmental standards. We will also continue to look for opportunities to expand our market presence in Canada, the U.S., Mexico, West Africa and South America. By maintaining our focus on being in the best position to take advantage of our skills and technology when demand picks up again, we believe we will deliver long-term value to our customers, and to you, our shareholders.

On behalf of the Board and the entire Orbit Garant team, we want to thank you for your support and sharing our confidence in the future.

Guthrie J. Stewart
CHAIRMAN OF THE BOARD

Eric Alexandre
PRESIDENT AND CEO

MD&A AND CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 audited consolidated financial statements for the fiscal year ended June 30, 2014; as compared with 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, 2013.

The Company's fiscal 2014 audited consolidated financial statements and the accompanying notes were prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts in this MD&A are in Canadian dollars, except when 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 22, 2014. 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 fiscal 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. For a more complete discussion of the risk factors that could cause the Company's actual results to materially differ from its current expectations, please refer to the Company's Annual Information Form dated September 26, 2014, accessible via www.sedar.com

FISCAL 2014 SUMMARY

- Revenue was $71.5 million, compared to $104.2 million in fiscal 2013
- Gross margin of 5.2% compared to 14.9% in fiscal 2013
- Adjusted gross margin (excluding depreciation expense) of 18.5%, compared to 24.4% in fiscal 2013
- EBITDA decreased to $3.4 million from $15.4 million in fiscal 2013
- Net loss of $6.3 million compared to $26.5 million in fiscal 2013
- 0.8 million metres drilled in fiscal 2014, down from 1.0 million metres in fiscal 2013
- Debt reduction of $6.2 million in fiscal 2014

Orbit Garant's results in fiscal 2014 were negatively affected by lower drilling volumes and lower pricing, reflecting the difficult market conditions prevailing in the mineral drilling industry. Many senior and intermediate mining companies have scaled back their drilling programs over the past 16 to 22 months, and junior mining companies have significantly cut their exploration activities due to a lack of capital. Orbit Garant's customers' drilling activity in fiscal 2014 reflects these broad market trends. The Company continues to control costs, monitor its workforce and manage its capital expenditures to adjust to the current level of business activity.

CORPORATE OVERVIEW

From its head office in Val-d'Or, Québec, Orbit Garant, with approximately 600 employees, manages a fleet of 214 drilling rigs that provide surface and underground drilling services to the mining and exploration industry in Canada and internationally. The Company also provides geotechnical drilling services to mining or mineral exploration companies, engineering and environmental consultant firms and government agencies.

Orbit Garant has a comprehensive infrastructure that is vertically integrated with its subsidiary, Soudure Royale, which manufactures drill rigs for the Company and third parties (and so provides the Company with a competitive advantage in the provision of drilling services and equipment). Orbit Garant 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 smaller conventional drilling companies.

The Company has two operating segments: Canada (including domestic surface drilling, underground drilling and manufacturing Canada), and International.

For the twelve-month period ended June 30, 2014 ("Fiscal 2014"):

- Specialized drilling services, which typically generate a higher gross margin than conventional drilling services, accounted for approximately 38% of the Company's total revenue.
- Approximately 77% of the Company's revenues were generated by gold related operations, and approximately 23% were generated by base metal related and other operations.
- Surface and underground drilling services accounted for approximately 58% and 40%, respectively, of the Company's revenues. Orbit Garant's manufacturing subsidiary, Soudure Royale, accounted for the remaining 2% of revenue.
- Orbit Garant operates principally in stable jurisdictions, with approximately 95% of the Company's revenues generated in Canada. The Company also maintains field operations and/or offices in the USA, Guyana, Mexico, Chile (South America) and Ghana (West Africa). Approximately 99% of the Company's revenues were in Canadian dollars, providing currency stability.

- Approximately 75% of Orbit Garant's revenue was generated from major and intermediate mining company projects, compared to 79% in fiscal 2013. Orbit Garant's drilling contracts with major and intermediate customers are typically from one to three years in length.

BUSINESS STRATEGY

Orbit Garant's goal is to be the leading Canadian-based mineral drilling company. This will be achieved through the pursuit of both domestic and international opportunities and through the provision of best-in-class underground and surface drilling services, equipment and personnel 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 commitment to Research and Development ("R&D") and advanced drilling technologies, such as the Company's current implementation of computerized monitoring and control technologies;
- Provide training for the Company's personnel to continuously improve labour efficiency and 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 base of operations in strategic regions; and
- Evaluate strategic acquisition opportunities to enhance value for the Company's stakeholders.

INDUSTRY OVERVIEW

Orbit Garant provides drilling services to the minerals industry through all stages of mine development, from exploration through production. The client mining companies consist of major (or senior), intermediate, and junior exploration companies. Demand for drilling services is driven by conditions in the global markets for ferrous (iron) and non-ferrous (precious and base metals) metals. The strength of demand is determined primarily by metals prices and the availability of capital for mining companies to finance exploration (particularly in the case of juniors) and development programs, and/or ongoing mining operations.

Gold

Gold prices are influenced by global investment demand, global demand for gold jewelry; and to a much lesser extent, demand from industrial applications. Following a historical 10-year price rally in the price of gold that started in 2001, and resulted in a peak spot price of US$1,895 per ounce in September 2011, the price of gold entered a period of decline starting in January 2013, when it was at approximately US$1,700 per ounce and declining to approximately US$1,200 per ounce in December 2013. To date in 2014, the spot price for gold has ranged from US$1,221 per ounce to US$1,385 per ounce. At the time of this report, the price of gold was just over US$1,210 per ounce.

Base Metals

Base metals' price performance generally reflects global economic conditions, as these metals are used primarily in infrastructure, industrial and manufacturing applications. Demand from emerging markets, particularly China and India, has a major influence on base metals markets. As emerging markets advance their economic development, their infrastructure and industrial bases expand. Further, residents typically become more affluent, driving increased demand for manufactured goods.

Aluminum, copper, lead, nickel and zinc are the primary base metals. At the time of this report, the spot price for copper was lower than 12 months ago, while the spot prices of aluminum, lead, nickel and zinc were higher. The spot price for copper, the metal widely considered to be the most sensitive to macroeconomic activity, was just over US$3.30 per pound a year ago and at the time of this report was just over US$3.00 per pound. Current spot prices for each of the other primary base metals, except for zinc, are currently at the low end of their trailing five-year price ranges.

Iron Ore

Iron ore prices are determined by the global demand for steel, as more than 95% of mined iron ore is used to make steel. As the world's largest steel consumer, China is widely regarded as having the most influence on global iron ore market prices. Continuing urbanization of the world's population, particularly in China and India, the world's most populous countries, is fuelling global steel consumption, with demand expected to double by 2050. In Canada, there has been a recent surge in exploration activity in the Labrador Trough region of Quebec and Labrador, which may impact future supply and prices as some of these projects come into production. In the short term, the spot price of iron ore is principally affected by seasonal effects, short term mismatches between supply and demand and other factors. At the time of this report, the spot price for iron ore was just over US$90 per tonne, representing the lowest point in its trailing five-year price history. The longer term downward pressure on iron ore prices has been the result of several factors, including rising production, plentiful supply, high stocks and a slowdown in growth in China.

Market Participants

The past two years have been challenging for intermediate and junior mining companies needing to raise capital, resulting in budget restraints and reduced exploration and development programs. Further, the rising costs of mineral production, caused by higher operating and construction costs, combined with lower metals prices has also forced some senior and well financed intermediate mining companies to delay or scale back their drilling programs. These trends are expected to continue in the near term.

OVERALL PERFORMANCE

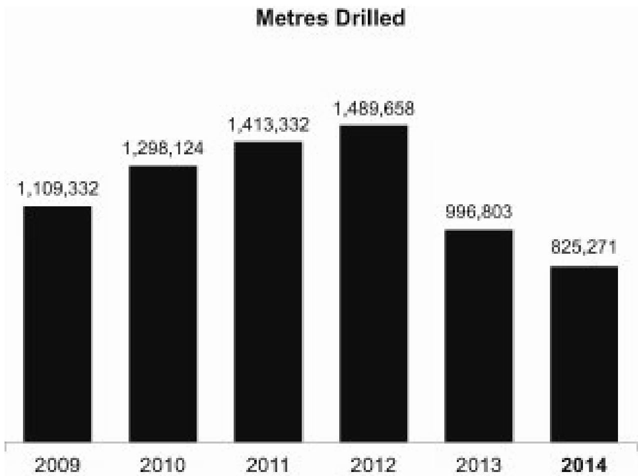
Results of operations for the year ended June 30, 2014

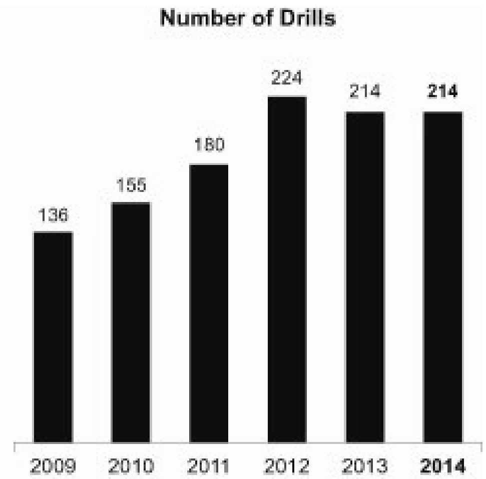
FISCAL YEAR ENDED JUNE 30 * ($millions)		Fiscal 2014	Fiscal 2013	2014 vs. 2013 Variation	Variation (%)
Revenue *		**71.5**	104.2	**(32.7)**	**(31.3)**
Gross profit *		**3.8**	15.5	**(11.7)**	**(75.8)**
Gross margin (%)		**5.2**	14.9		**(9.7)**
Adjusted gross margin (%) (1)		**18.5**	24.4		**(5.9)**
EBITDA * (2)		**3.4**	15.4	**(12.0)**	**(77.9)**
Metres drilled		**825,271**	996,803	**171,532**	**(17.2)**
Net (loss) earnings *		**(6.3)**	(26.5)	**20.2**	
Net (loss) earnings per common share	**- Basic ($)**	**(0.19)**	(0.80)	**0.61**	
	- Diluted ($)	**(0.19)**	(0.80)	**0.61**	

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

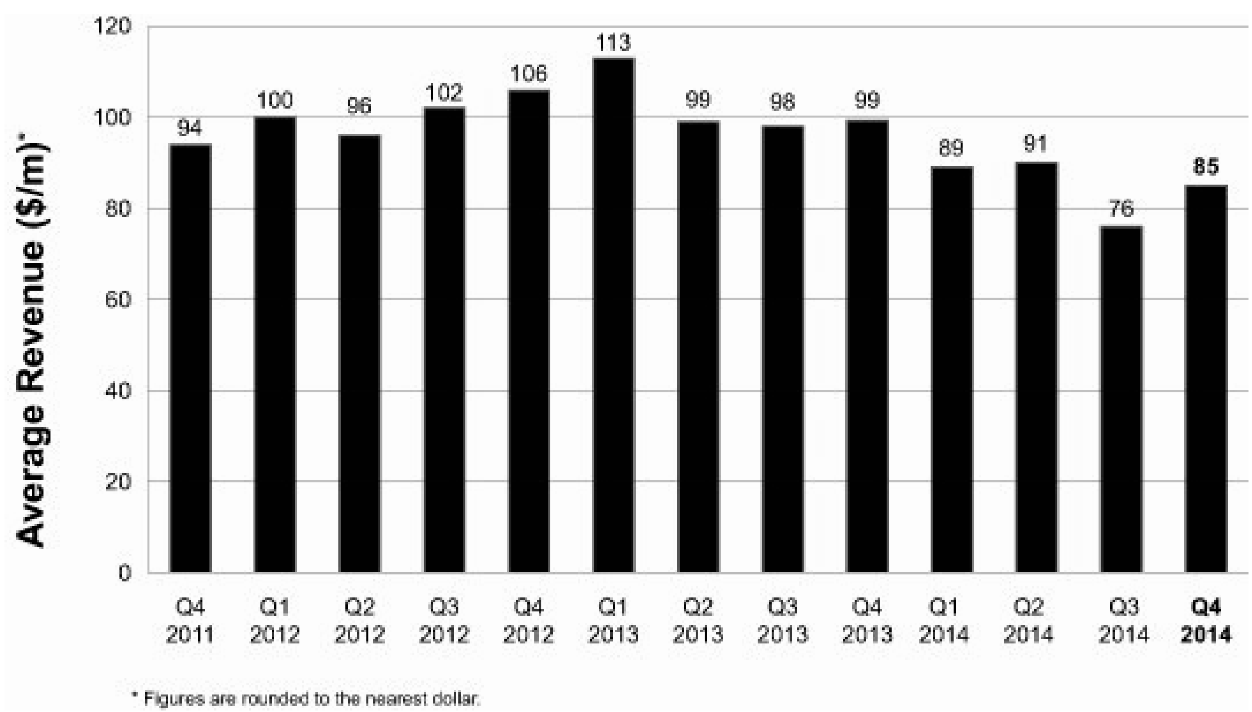
During fiscal 2014, Orbit Garant drilled 825,271 metres, a 17.2% decrease from 996,803 metres drilled during fiscal 2013. The decline in metres drilled reflects decreased demand from customers. Further, a number of Orbit Garant's recent drilling contracts are for shorter durations and for a lower number of metres as compared to the Company's more typical historical contracts. The Company's average revenue per metre drilled in fiscal 2014 was $85.17 compared to $102.89 in fiscal 2013. The decline in average revenue per metre drilled is attributable to a number of factors, including: current conditions in the minerals industry, which has resulted in pricing pressure from customers, and a significant decline in the Company's specialized drilling activity, which is typically charged at a higher rate.

The size of the Company's drill fleet was stable at 214 drill rigs at fiscal 2014 year end. During fiscal 2014, Soudure Royale manufactured four new computerized drill rigs for the Company and dismantled four drill rigs. The Company currently has 20 drill rigs outfitted with its computerized monitoring and control technology.





Average Revenue Per Metre Drilled



SELECTED ANNUAL FINANCIAL INFORMATION

For the year ended June 30 *($millions)	Fiscal 2014	Fiscal 2013	Fiscal 2012
Contract revenue			
Drilling Canada*	**68.2**	97.7	133.0
Drilling International*	**3.3**	6.5	21.8
Total*	**71.5**	104.2	154.8
Gross profit*	**3.8**	15.5	33.7
Gross margin (%)	**5.2**	14.9	21.8
Adjusted gross margin (%) (1)	**18.5**	24.4	27.3
Net (loss) earnings *	**(6.3)**	(26.5)	10.4
Net (loss) earnings per common share ($)	**(0.19)**	(0.80)	0.31
Net (loss) earnings per common share diluted ($)	**(0.19)**	(0.80)	0.30
Total assets*	**103.0**	117.2	170.2
Long term debt including current portion*	**8.5**	14.8	26.4
Total metres drilled (million)	**0.8**	1.0	1.5
EBITDA*(2)	**3.4**	15.4	27.9
EBITDA %(2)	**4.8**	14.8	18.0

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

RESULTS OF OPERATIONS

FISCAL 2014 COMPARED TO FISCAL 2013

Contract revenue

For the fiscal year ended June 30, 2014, the Company recorded contract revenue of $71.5 million, compared to $104.2 million in fiscal 2013, representing a decrease of $32.7 million, or 31.3%. The decrease was primarily attributable to a decline in metres drilled and lower average revenue per metre drilled in both the Domestic and International operating segments, reflecting weakened industry-wide demand for mineral drilling services.

Domestic contract drilling revenue decreased to $68.2 million in fiscal 2014, compared to $97.7 million in fiscal 2013, a decrease of $29.5 million, or 30.1%.

International contract drilling revenue decreased 49.2% to $3.3 million in fiscal 2014, compared to $6.5 million in fiscal 2013.

Gross Profit / Loss and Margins (see Reconciliation of non-IFRS measures)

Gross profit for fiscal 2014 decreased 75.9% to $3.8 million, compared to $15.5 million in fiscal 2013. Gross margin for fiscal 2014 decreased to 5.2% from 14.9% in fiscal 2013. In accordance with IFRS, depreciation expenses totalling $9.5 million are included in the cost of contract revenue for fiscal 2014, compared to $9.9 million for fiscal 2013. Adjusted gross margin, excluding depreciation expenses, decreased to 18.5% in fiscal 2014, compared to 24.4% in fiscal 2013. The decrease in gross profit, gross margin and adjusted gross margin is primarily attributable to lower average revenue per metre drilled, decreased metres drilled, decreased of specialized drilling which is typically higher margin, employee-related fixed costs on a lower revenue base and severe winter weather conditions in Canada in the third quarter of fiscal 2014, which resulted in higher fuel and maintenance costs and a decline in driller productivity on certain project sites. This was partly offset by a reduction of the workforce and close cost control.

Drilling Canada's gross profit totalled $4.7 million, a decrease of $11.9 million from $16.6 million in fiscal 2013, attributable to the factors discussed above.

Drilling International's gross loss totalled $0.9 million, compared to $1.1 million for the same period in the previous fiscal year, a decrease of $0.2 million.

General and Administrative Expenses

General and administrative (G&A) expenses were $11.4 million for fiscal 2014, compared to $12.9 million in fiscal 2013. G&A expenses represented 16.0% of revenue during fiscal 2014, compared to 12.4% in fiscal 2013. G&A expenses in fiscal 2014 include a reversal of a contingent consideration of $1.0 million associated with the Company's acquisition of Advantage Control Technologies (1085820 Ontario Limited) in November 2010, and the acquisition of Lantech Drilling Services Inc. in December 2011, compared to a reversal of a contingent consideration (associated with the same transactions) of $3.2 million that was included in G&A expenses in fiscal 2013.

In accordance with IFRS, depreciation and amortization expenses of $1.6 million are included in G&A expenses for fiscal 2014, compared to $2.9 million in fiscal 2013. Adjusted G&A expenses, excluding the reversal of a contingent consideration, depreciation and amortization expenses, totalled $10.9 million (15.2% of revenue) for fiscal 2014, compared to $13.2 million (12.7% of revenue) for fiscal 2013. The decrease in G&A expenses and adjusted G&A expenses resulted from the actions taken by the Company to reduce expenses due to current market conditions.

During fiscal 2014, the Company recorded restructuring charges of $0.3 million consisting primarily of severance payments.

EBITDA (see Reconciliation of non-IFRS measures)

EBITDA was $3.4 million for fiscal 2014, compared to $15.4 million in fiscal 2013, a decrease of $12.0 million, or 77.9%. EBITDA represented 4.8% of sales in fiscal 2014, compared to 14.8% of sales in fiscal 2013.

Financial expenses

Interest costs related to long-term debt and bank charges for fiscal 2014 were $ 0.9 million, compared to $1.3 million in fiscal 2013.

Impairment of goodwill and intangible assets

No impairment charges were recognized in fiscal 2014. An impairment charge of $28.2 million was recognized in fiscal 2013. This non-cash item was a write-down of goodwill and some intangible assets, resulting from the ongoing weakness in both domestic and international drilling markets.

Income Tax Recovery

Income tax recovery was $2.5 million in fiscal 2014, compared to$0.4 million in fiscal 2013.

Net loss

Net loss in fiscal 2014 totalled $6.3 million ($0.19 per share), compared to $26.5 million ($0.80 per share) in fiscal 2013. The Company's net loss in fiscal 2013 included non-cash impairment charge of $28.2 million related to a write-down of goodwill and intangible assets. Reduced domestic and international revenue, and lower gross margins, as discussed above, contributed to the Company's net loss in fiscal 2014

SUMMARY ANALYSIS OF FISCAL 2013 COMPARED TO FISCAL 2012

Revenue for the fiscal year ended June 30, 2013 was $104.2 million compared to $154.8 million for fiscal 2012, representing a decrease of $50.6 million, or 32.7%.

Gross profit for fiscal 2013 decreased 54.0% to $15.5 million, compared to $33.7 million in fiscal 2012. Adjusted gross margin decreased to 24.4% in fiscal 2013, compared to 27.3% in fiscal 2012. Decrease in gross profit and gross margin was primarily attributable to reduced metres drilled for both domestic projects and higher margin international projects.

Net loss for fiscal 2013 totaled $26.5 million ($0.80 per share), compared to net earnings of $10.4 million ($0.31 per share) in fiscal 2012.

OVERALL PERFORMANCE

SUMMARY OF QUARTERLY RESULTS

* ($millions)		Fiscal 2014				Fiscal 2013			
		June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30
Contract revenue *		**20.2**	16.0	16.8	18.5	**21.4**	23.7	24.2	34.9
Gross profit *		**1.8**	(1.1)	1.1	2.0	**2.3**	3.4	2.9	6.9
Gross margin %		**8.4**	(6.7)	6.8	10.7	**10.6**	14.5	11.9	19.8
Adjusted Gross Margin % (1)		**20.5**	7.9	20.5	23.5	**21.9**	25.3	22.2	26.8
Net earnings (loss) *		**(0.8)**	(2.9)	(1.5)	(1.1)	**(27.6)**	(0.6)	(0.3)	2.0
Net earnings (loss) per common share ($)	- Basic	**(0.02)**	(0.09)	(0.05)	(0.03)	**(0.83)**	(0.02)	(0.01)	0.06
	- Diluted	**(0.02)**	(0.09)	(0.05)	(0.03)	**(0.83)**	(0.02)	(0.01)	0.06

(1) Reflects gross margin, excluding depreciation expenses. See "Reconciliation of non-IFRS financial measures"
See "Reconciliation of non-IFRS financial measures"

SEASONALITY

The Company's revenue reflects certain seasonal factors. In the underground drilling division, scheduled mine shutdowns 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 to be planned around seasonal fluctuations. Similarly, in the international surface drilling division, weather conditions during certain periods of the year make drilling difficult, resulting in revenue fluctuations.

ANALYSIS OF THE FOURTH QUARTER OF FISCAL 2014 COMPARED TO THE FOURTH QUARTER OF FISCAL 2013

Contract Revenue

Revenue for the three-month period ended June 30, 2014 ("Q4 FY2014") totaled $20.2 million, a decrease of $1.2 million, or 5.1%, from $21.4 million for the quarter ended June 30, 2013 ("Q4 FY2013"). The decrease was primarily attributable to lower average revenue per metre drilled, partially offset by increased metres drilled. The Company drilled 234,287 metres in Q4 FY2014, compared to 211,457 metres in Q4 FY2013. Average revenue per metre drilled was $85.33 in Q4 FY2014, down from $99.22 per metre in Q4 FY2013. The decline in average revenue per metre drilled is primarily attributable to pricing pressure and a significant decline in the Company's specialized drilling activity, which is typically charged at a higher rate.

Drilling Canada revenue was $20.0 million in Q4 FY2014, compared to $20.4 million in Q4 FY2013, representing a decrease of $0.4 million, or 1.4%. The decrease was attributable to the factors discussed above.

Drilling International revenue was $0.2 million in Q4 FY2014, compared to $1.0 million in Q4 FY2013, a decrease of $0.8 million, or 79.0%, due to lower demand for drilling services.

Gross Profit and Margins (see Reconciliation of non-IFRS measures)

Gross profit for Q4 FY2014 decreased to $1.8 million from $2.3 million in Q4 FY2013. Gross margin for Q4 FY2014 decreased to 8.4% from 10.6% in the fourth quarter a year ago. In accordance with IFRS, depreciation expenses totalling $2.4 million are included in cost of contract revenue for Q4 FY2014, in line with Q4 FY2013. Adjusted gross margin, excluding depreciation expenses, decreased to 20.5% in Q4 FY2014, from 21.9% in Q4 FY2013. The decline in gross profit, gross margin and adjusted gross margin is primarily attributable to lower average revenue per metre drilled and employee-related fixed costs on a lower revenue base.

Drilling Canada's gross profit was $1.9 million, a decrease of $0.9 million, from $2.8 million in Q4 FY2013; reflecting lower average revenue per metre drilled, and lower margins as discussed above. A reduction in specialized drilling activities, which are typically higher margin, also contributed to the decline in gross profit and margin.

Drilling International's gross loss totalled $0.2 million, compared to $0.6 million in Q4 FY2013.

General and Administrative Expenses

General and administrative (G&A) expenses were $2.4 million (11.7% of revenue) in Q4 FY2014, compared to $2.3 million (10.9% of revenue) in Q4 FY2013. G&A expenses in Q4 FY2014 included a reversal of a contingent consideration of $1.0 million associated with the Company's acquisition of Advantage Control Technologies (1085820 Ontario Limited) in November 2010 and the acquisition of Lantech Drilling Services Inc. in December 2011, compared to $2.4 million in Q4 FY2013.

In accordance with IFRS, depreciation and amortization expenses of $0.3 million are included in G&A expenses for Q4 FY2014, compared to $0.7 million in Q4 FY2013. Adjusted G&A expenses, excluding the reversal of a contingent consideration, depreciation and amortization expenses, were $3.1 million (15.2% of revenue) in Q4 FY2014, compared to $4.0 million (18.7% of revenue) in Q4 FY2013.

The decrease in adjusted G&A expenses resulted from the proactive measures taken by the Company to reduce expenses in recognition of current market conditions. The Company recorded restructuring charges of $0.3 million consisting primarily of severance payments in Q4 FY2014.

EBITDA (see Reconciliation of non-IFRS measures)

EBITDA totalled $1.9 million (9.5% of revenue) in Q4 FY2014, compared to $3.1 million (14.7% of revenue) in the fourth quarter a year ago, a decrease of $1.2 million, or 39.1%.

Financial Expenses

Interest costs related to long-term debt and bank charges were $0.3 million in Q4 FY2014, compared to $0.4 million in Q4 FY2013.

Impairment of goodwill and intangible assets

No impairment was recorded in Q4 FY2014. An impairment charge of $28.2 million was recognized in Q4 FY2013. This non-cash item was a write-down of goodwill and some intangible assets due to ongoing weakness in the domestic and international drilling markets.

Income Tax recovery

Income tax recovery was $0.6 million for Q4 FY2014, compared to $0.9 million in Q4 FY2013.

Net loss

The Company's net loss for Q4 FY2014 was $0.8 million ($0.02 per share), compared to $27.6 million ($0.83 per share) in Q4 FY2013. The Company recorded an impairment charge of $28.2 million related to a write-down of goodwill and intangible assets in Q4 FY2013. Reduced domestic and international revenue, and lower gross margins, as discussed above, contributed to the Company's net loss in Q4 FY2014.

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 partially offset by revenue of approximately $0.4 million earned in US dollars, related primarily to international drilling activities. As at June 30, 2014, the Company had US $0.7 million in cash (June 30, 2013, $1.1 million) and accounts receivable in US dollars of US$0.2 million (June 30, 2013, $0.5 million).

As at June 30, 2014, the Company estimated that a 10% increase or decrease of the U.S. exchange rate would have caused a negligible annual increase or decrease in net earnings and comprehensive earnings, in line with fiscal 2013.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Cash flow from operations, before non-cash operating working capital items, was $2.7 million in fiscal 2014, compared to $13.4 million in fiscal 2013.

The change in non-cash operating working capital items was an inflow of $4.4 million in fiscal 2014, compared to $10.6 million in fiscal 2013. The inflow in non-cash operating working capital in fiscal 2014 resulted primarily from a larger decrease in accounts receivable and inventory, than the decline in accounts payable and accrued liabilities.

Investing Activities

Cash used in investing activities totalled $2.9 million in fiscal 2014, compared to $9.3 million in fiscal 2013. During FY2014, $3.1 million was used for the acquisition of property, plant and equipment and $0.1 million for the payment for short term investments, partially offset by cash inflow of $0.4 million on disposition of property, plant and equipment. This compares with $9.3 million for the acquisition of property, plant and equipment, $0.4 million in payment of contingent consideration and cash inflow of $0.4 million on disposition of property, plant, equipment in fiscal 2013.

Financing Activities

During fiscal 2014, the Company repaid a net amount of $6.3 million on its $40.0 million revolving Credit Facility. In fiscal 2013, the repaid amount was $11.7 million. As at June 30, 2014, the Company's long-term debt, including the current portion, was $8.5 million, compared to $14.4 million as at June 30, 2013. The debt was used to support the acquisition of capital assets, including property, plant and equipment.

As at June 30, 2014, the Company's working capital was $37.1 million, compared to $51.2 million as at June 30, 2013. The decline in working capital resulted from the reclassification of the non-current portion of the loan within current liabilities for $8.5 million. The Company's working capital requirements primarily fund inventory acquisition and support accounts receivable.

The Company believes that it will be able to generate sufficient cash flow to meet its current and future working capital expenditures and debt obligations. The Company's principal capital expenditures are related to 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 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 is 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 at June 30, 2014, the Company had drawn $8.5 million ($14.4 million as at June 30, 2013).

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 described in the Company's MD&A dated May 14, 2014, on May 5, 2014 the Credit Facility was amended to waive certain breaches of the Credit Facility by the Company, and, going forward, reduce the size of the Credit Facility to $30 million and revise certain of the financial covenants. The Company has subsequently determined that it was in breach of the fixed charge coverage ratio covenant under the Credit Facility as at June 30, 2014 due to the decline in the Company's EBITDA because of the difficult market conditions experienced during the fiscal year. On August 28, 2014, the Company entered into an amendment to the Credit Facility in order to exclude the balloon capital payment due under the Credit Facility at maturity from the calculation of the fixed charge coverage ratio. The Company would have satisfied the amended fixed charge coverage ratio as at June 30, 2014 and the amendment effectively waives the prior breach. The ongoing difficult market conditions facing the Company also mean that there is a risk that the Company will be in breach of additional financial covenants at September 30, 2014 (the end of the first quarter of fiscal 2015). The Company is currently discussing this issue with the lender under the Credit Facility with a view to further amending the Credit Agreement in order to adjust a number of other covenants to take into account the Company's current and expected financial position and the current market environment. The Company is also in discussions with alternate lenders with a view to replacing the Credit Facility on terms that would take into account such matters.

As at June 30, 2014, the Company had future contractual obligations as follows:

*($thousands)	Total	Less than 1 year	2-3 years	4-5 years
Long-term debt *	8,565	8,565	-	-
Operating leases *	1,370	438	562	370
Contingent consideration*	150	150	-	-
Total *	10,085	9,153	562	370

OUTSTANDING SECURITIES AS OF SEPTEMBER 22, 2014

Number of common shares	33,276,519
Number of options	3,739,000
Fully diluted	37,015,519

In fiscal 2014, the Company issued 682,500 options at an exercise price of $1.02 and 92,000 options were cancelled. At the beginning of the fiscal 2015, 24,500 options were cancelled.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company's audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), issued and effective, or issued and early adopted, for the year ended June 30, 2014. The IFRS accounting policies set our below were consistently applied to all periods presented. Please refer to Notes 3 and 5 in the Company's consolidated financial statements for the year ended June 30, 2014 for a complete description of the Company's significant accounting policies.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in Note 6 in the Company's consolidated financial statements for the year ended June 30, 2014.

These audited consolidated financial statements have been prepared on a historical cost basis, except for the contingent considerations and investments, 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"). All values are rounded to the nearest thousand dollars, except where otherwise indicated.

These audited consolidated financial statements were approved for issue by the Board of Directors of Orbit Garant Drilling Inc. on September 22, 2014.

Principles of Consolidation

The Company's audited consolidated financial statements incorporate the Company's financial statements and entities controlled by the Company. A subsidiary is an entity controlled by the Company. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, independently of its percentage of participation. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when the Company controls another entity.

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.

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 (loss).

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 (loss).

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-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, 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 reporting 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 contract. 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.

Restructuring costs

A restructuring provision is recognized when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected, that it will carry out the restructuring by starting to implement the plan or announcing the main feature to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements 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

Depreciation methods, residual values and useful lives of property, plant and equipment are reviewed at each reporting date by Management. Any changes are accounted for prospectively as a change in accounting estimate. As at June 30, 2014, 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.

Impairment of long-lived assets

An impairment loss is recognized when the carrying amount of an asset is not recoverable and exceeds its recoverable value. Management reviews on a regular basis the impairment assessment of its property, plant and equipment to criteria defined in Note 5 in the Company's consolidated financial statements. As at June 30, 2014, the Company has performed an impairment test of long-lived assets and concluded that was no impairment charge that has to be recognized (see Notes 12 and 14 in the Company's consolidated financial statements).

Potential impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires Management to estimate future cash flows expected to arise from the CGU and suitable discount rate in order to calculate present value. The key assumptions required for the value in use estimation are the future cash flows growth rate and the discount rate. Cash flows for each CGU are derived from the budget for the upcoming year and a long-term forecast prepared by Management, which covers a period of 5 years. The budget which is approved on an annual basis by members of the Company's Board of Directors and Management and long-term forecast which is prepared on an annual basis by the Company's Management; are the primary sources for the determination of value in use. The values assigned to the key assumptions reflect past experience and are consistent with external sources of information.

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 accounting standards and accordingly, the adoption impact of these new standards 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, 2018, with early adoption permitted.

IFRS 15 – Revenue from Contracts with Customers
IFRS 15 specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 is effective from periods beginning January 1, 2017, with early adoption permitted.

IAS 32 - Financial Instruments - Presentation
IAS 32 is aamended to provide clarification on the application of rules to offset financial assettes and financial liabilities. The following notions are clarifided: legally enforceable right to offset, application of simultaneous realization or settlement, offsetting a guaranteed amount and the unit of accounting for application of the offsetting obligations. Amended IAS 32 is applicable for the periods beginning on, or after January 1, 2014, an must be applied retrospectively.

IAS 36 – Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
IAS 36 is amended to address the disclosure information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. Amended IAS 36 is applicable for the periods beginning on, or after January 1, 2014, with an earlier application permitted.

IFRIC 21 – Levies
IFRIC Interpretation 21 considers how an entity should account for levies imposed by governments, other than income taxes, in its financial statements. IFRIC Interpretation 21 is applicable for the periods beginning on, or after January 1, 2014, with an earlier application permitted.

The following amendments to the standards have been issued by the IASB and are applicable to the Company for its annual periods beginning on July 1, 2014 and thereafter, with an earlier application permitted:

Annual improvements to IFRS (2010-2012 Cycle), which include among others

Amendments to IFRS 2, Share-based Payments, relate to the definitions of «vesting condition» and «market condition» and add definitions for «performance condition» and «service condition».

Amendments to IFRS 3, Business Combinations, clarify that contingent consideration classified as an asset or a liability should be measured at fair value on each reporting date, irrespective of whether the contingent consideration is a financial instrument or a non-financial asset or liability.

Amendments to IFRS 8, Operating Segments, require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments and clarity that a reconciliation of the total of the reportable segments' assets and the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision maker.

Amendments to IFRS 13, Fair Value Measurement, clarify that the issuance of IFRS 13 did not remove the ability to measure current receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

Annual improvements to IFRS (2011-2013 Cycle), which include among others

Amendments to IFRS 3, Business Combinations, clarify that the scope of IFRS 3 does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

Amendments to IFRS 13, Fair Value Measurement, clarify that the scope of the portfolio exception for measuring the fair value of a group of financial liabilities on a net basis includes all contracts that are within the scope of IAS 39, Financial Instruments: Recognition and Measurement, even if those contracts do not meet the definition of financial assets or financial liabilities.

The Company is currently evaluating the impacts of adopting these standards on its financial statements.

RECONCILIATION OF NON - IFRS FINANCIAL MEASURES

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

EBITDA: Earnings (loss) before interest, taxes, restructuring charges, depreciation, amortization, impairment of goodwill and intangible assets.

Adjusted gross margin: Contract revenue less operating costs. Operating expenses comprise material and service expenses, personnel expenses, other operating expenses, excluding depreciation.

EBITDA

Reconciliation of EBITDA

(unaudited) (in millions of dollars)	3 months ended June 30, 2014	3months ended June 30, 2013	12 months ended June 30, 2014	12 months ended June 30, 2013
Net earnings (loss) for the period	**(0.8)**	(27.6)	**(6.3)**	(26.5)
Finance costs	**0.3**	0.4	**0.9**	1.3
Income tax expense (recovery)	**(0.6)**	(0.9)	**(2.5)**	(0.4)
Depreciation and amortization	**2.7**	3.0	**11.0**	12.8
Restructuring charges	**0.3**	Ø	**0.3**	Ø
Impairment of goodwill and intangible assets	**Ø**	28.2	**Ø**	28.2
EBITDA	**1.9**	3.1	**3.4**	15.4

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)	3 months ended June 30, 2014	3 months ended June 30, 2013	12 months ended June 30, 2014	12 months ended June 30, 2013
Contract revenue	**20.2**	21.4	**71.5**	104.2
Cost of contract revenue (including depreciation)	**18.4**	19.1	**67.8**	88.7
Less depreciation	**(2.4)**	(2.4)	**(9.5)**	(9.9)
Direct costs	**16.0**	16.7	**58.3**	78.8
Adjusted gross profit	**4.2**	4.7	**13.2**	25.4
Adjusted gross margin (%) (1)	**20.5**	21.9	**18.5**	24.4

(1) Adjusted gross profit, divided by Contract revenue X 100

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 should be read in conjunction with, the detailed information appearing elsewhere in this report and in the Company's Annual Information Form dated September 26, 2014. 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 affected materially and adversely.

Ongoing integration of business systems

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

Risk Related to Structure to the Business and 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. 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 Company has determined that it was in breach of certain financial covenants under its Senior Credit Facility at March 31, 2014, due to the decline in the Company's EBITDA because of the difficult market conditions experienced during the quarter. As a result, the non-current portion of the Credit Facility was required to be classified as a current liability as at March 31, 2014. Subsequent to quarter end, the Company entered into an amendment to the Credit Facility that waives these breaches and, going forward, reduces the size of the Credit Facility to $30 million and revises certain of the financial covenants. The revised financial covenants include the requirement to maintain a Senior Debt to EBITDA ratio of not more than 3.00 to 1.00 (up from 2.00 to 1.00) and a fixed charge coverage ratio that excludes, for the quarter ended March 31, 2014, the balloon capital payment due under the Credit Facility at maturity.

The Company has subsequently determined that it was in breach of the fixed charge coverage ratio covenant under the Credit Facility as at June 30, 2014 due to the decline in the Company's EBITDA because of the difficult market conditions experienced during the fiscal year. On August 28, 2014, the Company entered into an amendment to the Credit Facility in order to exclude the balloon capital payment due under the Credit Facility at maturity from the calculation of the fixed charge coverage ratio. The Company would have satisfied the amended fixed charge coverage ratio as at June 30, 2014 and the amendment effectively waives the prior breach. The ongoing difficult market conditions facing the Company also mean that there is a risk that the Company will be in breach of additional financial covenants at September 30, 2014 (the end of the first quarter of fiscal 2015). The Company is currently discussing this issue with the lender under the Credit Facility with a view to further amending the Credit Agreement in order to adjust a number of other covenants to take into account the Company's current and expected financial position and the current market environment. The Company is also in discussions with alternate lenders with a view to replacing the Credit Facility on terms that would take into account such matters.

While the Company believes that it will be successful in either negotiating appropriate amendments to the Credit Facility or securing alternative financing, there can be no assurance that this will be the case, or that the Company will be able to avoid further defaults under the Credit Agreement.

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

If the Company should grow, it could put 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 and have substantially greater financial and other resources than the Company has. 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 will 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 ability to grow 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: i) manage its expanding operations (including any acquisitions) effectively; ii sustain or accelerate its growth or that such growth, if achieved, will result in profitable operations; iii) attract and retain sufficient management personnel necessary for continued growth; or, iv) 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 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 $0.4 million of U.S. 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 can occur 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 22, 2014, Pierre Alexandre, Vice-Chairman and Vice-President of Business Development 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, 2014, the amount of the insurance coverage from EDC represents approximately 5% of the accounts receivable (35% in June 30, 2013). Due to the reduction of International drilling demands the Company did not meet the EDC requirements. Consequently, the insurance coverage ceased as of May 1, 2014. Considering the paid premiums and claims made over the past years, the Company has evaluated that this change will have little impact on its financial results.

As at June 30, 2014, 45% (37% as at June 30, 2013) of the trade accounts receivable are aged as current and 7% (7% as at June 30, 2013) of receivables are impaired.

One major customer represented 12% of the trade accounts receivable as at June 30, 2014 (June 30, 2013, one major customer represented 26% of these accounts).

Two major customers represented 30% of the contract revenue for the year June 30, 2014 (year ended June 30, 2013, one major customer represented 22%).

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, 2014, the Company estimated that a one percentage point increase or decrease in interest rates would have caused a corresponding annual increase or decrease of approximately $0.1 million before income taxes ($0.1 million impact in 2013).

Equity market risk

Equity market risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors the general trends in the stock markets and individual equity movements, and determines the appropriate course of actions to be taken by the Company.

Fair Value

The fair value of cash, accounts receivable, accounts payable and accrued liabilities, is approximately equal to their carrying values due to their short-term maturity. The fair value of the investments is equal to their original costs.

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 of the contingent consideration has been evaluated with a discounted rate value.

OUTLOOK

Many exploration and mining companies continue to exercise restraint with their mineral exploration and development programs. Senior and intermediate mining companies scaled back their drilling programs in 2013 and this trend continued in 2014. At the same time, junior mining companies have significantly cut their exploration activities due to a lack of capital.. These adverse market conditions have created a short term oversupply of drilling services capacity in the market, which in turn has created downward pricing pressure. Management expects that these market conditions will continue to impact the contract drilling industry and negatively affect Orbit Garant's utilization rates and gross margins in the near term.

Despite these current market challenges, Management believes the long-term outlook for the mining industry is positive. While global economic conditions may negatively impact market conditions from time-to-time, Management believes long-term global demand for ferrous and non-ferrous metals combined with depleting reserves and resources will ultimately result in increased exploration and development activities by mining companies. Increased demand for minerals from developing countries, such as Brazil, Russia, India and China, provides the greatest impetus for long-term growth. China, the world's second largest economy, now has a significant impact on global demand and pricing for ferrous and non-ferrous metals. The lack of major new mineral discoveries, shortages of labour and other supply issues affecting traditional markets are all contributing to constraints in supply.

In the near term, Management will continue to focus on maximizing stakeholder value principally by controlling costs, optimizing drill rig utilization, increasing productivity, preserving the Company's cash position and maintaining Orbit Garant's strong health and safety standards. Management believes the Company's computerized monitoring and control drilling technology will increasingly be an important contributor in achieving these goals by reducing both labour and consumable drilling costs, enhancing driller productivity rates and improving safety. In deployments on customer projects to date, Orbit Garant has achieved more that 25 percent greater productivity compared to conventional drilling. The Company currently has 20 drill rigs featuring its computerized monitoring and control technology and plans to add seven additional such rigs to its fleet in fiscal 2015. Our customers appreciate the improved performance and potential of our new drill rigs which has enabled us to renew underground drilling contracts for longer terms. The Company recently expanded its international business development activities with a new office in Chile and new personnel in West Africa, in order to be better positioned to seize international market opportunities and further strengthen customer relationships. Orbit Garant recently secured its first drilling contract in Chile, which is scheduled to commence in the Company's second quarter of fiscal 2015. Orbit Garant's capital expenditure for fiscal 2015 should be between $3.0 and $7.0 million, depending on market conditions as the year progresses, reflecting the Company's continued disciplined cost management in line with market conditions. The Companywill continue to monitor market conditions closely and manage its staff and inventory levels, capital expenditures and balance sheet accordingly. With its strong balance sheet, Orbit Garant remains committed to pursuing value-enhancing growth opportunities in Canada and internationally.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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, 2014, 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, 2014.

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 2014, 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, 2014, an evaluation was carried out, under the supervision of the CEO and CFO, of the effectiveness of the Company's ICFR as defined in NI 52-109. Based on this evaluation the CEO and the CFO concluded that the design and operation of these ICFR were effective.

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying audited consolidated financial statements («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 and are approved by the Board of Directors.

The financial statements have been prepared by management 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 financial statements.

Management are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting to provide reasonable assurance that transactions are authorized, assets are safeguarded and the integrity and fairness of the financial information is ensured as at June 30, 2014. Based on this evaluation, Management has concluded that the Company's internal control over financial reporting as at June 30, 2014, was effective to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of its financial statements for external purposes in accordance with applicable accounting principles.

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 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 its members are independent directors. The Audit Committee meets periodically with management and independent auditors to review internal controls, audit results and accounting principles. Acting on the recommendation of the Audit Committee, the financial statements are forwarded to the Board of Directors of the Company for its approval.

The financial statements have been audited, on behalf of the shareholders, by Deloitte LLP, the independent auditor, in accordance with Canadian generally accepted auditing standards. The independent auditor has full and free access to the Audit Committee and may meet with or without the presence of management.

Éric Alexandre, CPA, CMA
President and Chief Executive Officer

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

Val-d'Or, Quebec
September 22, 2014

Deloitte.

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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 statements of financial position as at June 30, 2014 and June 30, 2013, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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, 2014 and June 30, 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP[1]

September 22, 2014

[1] CPA auditor, CA, public accountancy permit No. A116207

ORBIT GARANT DRILLING INC.

Consolidated statements of loss and comprehensive loss

For the years ended June 30, 2014 and 2013

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

	Notes	June 30 2014	June 30 2013
		$	$
Contract revenue	24	71,549	104,171
Cost of contract revenue	8	67,795	88,674
Gross profit		3,754	15,497
Expenses			
General and administrative expenses	2 - 8	11,440	12,870
Other revenues	8	(66)	(56)
Finance costs	8	845	1,320
Restructuring costs	8 - 9	342	-
Impairment of goodwill and intangible assets	8 - 13 - 14	-	28,200
		12,561	42,334
Loss before income taxes		(8,807)	(26,837)
Income taxes (recovery)	18		
Current		(1,237)	1,261
Deferred		(1,268)	(1,628)
		(2,505)	(367)
Loss and comprehensive loss attributable to shareholders		(6,302)	(26,470)
Loss per share attributable to shareholders	17		
Basic		(0.19)	(0.80)
Diluted		(0.19)	(0.80)

See accompanying notes to consolidated financial statements.

ORBIT GARANT DRILLING INC.
Consolidated statements of changes in equity
For the years ended June 30, 2014 and 2013
(in thousands of Canadian dollars)

Year ended June 30, 2014	Share capital	Equity settled reserve	Retained Earnings	Total Shareholders' Equity
	$	$	$	$
	(Note 17)	(Note 17)		
Balance as of July 1, 2013	54,411	4,480	31,327	90,218
Net loss and comprehensive loss	-	-	(6,302)	(6,302)
Share-based compensation	-	653	-	653
Balance as of June 30, 2014	54,411	5,133	25,025	84,569

Year ended June 30, 2013	Share capital	Equity settled reserve	Retained Earnings	Total Shareholders' Equity
	$	$	$	$
	(Note 17)	(Note 17)		
Balance as of July 1, 2012	54,411	3,524	57,797	115,732
Net loss and comprehensive loss	-	-	(26,470)	(26,470)
Share-based compensation	-	956	-	956
Balance as of June 30, 2013	54,411	4,480	31,327	90,218

See accompanying notes to consolidated financial statements.

ORBIT GARANT DRILLING INC.
Consolidated statements of financial position
As of June 30, 2014 and June 30, 2013
(in thousands of Canadian dollars)

	Notes	June 30 2014	June 30 2013
		$	$
ASSETS			
Current assets			
Cash		335	1,507
Accounts receivable	23	15,540	18,157
Inventories	10	36,423	38,751
Income taxes receivable		1,869	2,292
Prepaid expenses		1,280	1,019
		55,447	61,726
Non-current assets			
Investments	11	300	-
Property, plant and equipment	12	46,040	53,729
Intangible assets	14	1,166	1,748
Total assets		102,953	117,203
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		9,623	9,772
Contingent considerations	2 - 23	146	367
Current portion of long-term debt	15	8,547	338
		18,316	10,477
Non-current liabilities			
Contingent considerations	2 - 23	-	729
Long-term debt	15	-	14,421
Deferred tax liabilities	18	68	1,358
		18,384	26,985
EQUITY			
Share capital	17	54,411	54,411
Equity settled reserve	17	5,133	4,480
Retained earnings		25,025	31,327
Equity attributable to shareholders		84,569	90,218
Total liabilities and equity		102,953	117,203

Subsequent events: Notes 1 and 15.

APPROVED BY THE BOARD

Éric Alexandre, Director

Jean-Yves Laliberté, Director

See accompanying notes to consolidated financial statements.

ORBIT GARANT DRILLING INC.
Consolidated statements of cash flows
For the years ended June 30, 2014 and 2013
(in thousands of Canadian dollars)

	Notes	June 30 2014	June 30 2013
		$	$
OPERATING ACTIVITIES			
Loss before income taxes		(8,807)	(26,837)
Items not affecting cash:			
Depreciation of property, plant and equipment	12	10,466	10,854
Amortization of intangible assets	14	582	1,895
Loss (gain) on disposal of property, plant and equipment	12	(21)	187
Share-based compensation	17	653	956
Finance costs		789	996
Reversal of contingent considerations	2 - 23	(1,006)	(3,184)
Change in fair value of contingent considerations	23	56	324
Impairment of goodwill and intangible assets	13 - 14	-	28,200
		2,712	13,391
Changes in non-cash operating working capital items	19	4,351	10,605
Income taxes recovered (paid)		1,638	(2,549)
Finance costs paid		(663)	(930)
		8,038	20,517
INVESTING ACTIVITIES			
Acquisition of investments	11	(116)	-
Payment of contingent consideration	2 - 23	-	(400)
Acquisition of property, plant and equipment	12	(3,102)	(9,281)
Proceeds from disposal of property, plant and equipment		355	397
		(2,863)	(9,284)
FINANCING ACTIVITIES			
Proceeds from long-term debt		44,800	65,055
Repayment of long-term debt		(51,138)	(76,734)
		(6,338)	(11,679)
Effect of exchange rate changes		(9)	(6)
Decrease in cash		(1,172)	(452)
Cash, beginning of year		1,507	1,959
Cash, end of year		335	1,507

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 is located at 3200, boul. Jean-Jacques Cossette, Val-d'Or (Québec), 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%
Lantech Drilling Services Inc.	100%
Lantech Liberia Limited	100%
Perforación Orbit Garant Chile SpA	100%
Orbit Garant Drilling Ghana Limited (since September 9, 2014)	100%
Cygnus-Orbit Drilling SpA (since July 22, 2014)	70%

2. CONTINGENT CONSIDERATIONS

Lantech Drilling Services Inc.:

The purchase price of Lantech Drilling Services Inc. is subject to an adjustment of an amount up to $2,400 based on certain specific financial objectives regarding earnings levels for the periods ending December 15, 2012, 2013 and 2014. This contingent consideration was evaluated at fair value at the acquisition date. On June 30, 2013, an amount of $400 was paid for the contingent consideration due December 15, 2012. For the balance of the amount of $400 for the contingent consideration due on December 15, 2012 and for the contingent considerations due on December 15, 2013 and December 15, 2014, the Company has not reached the specific financial objectives that were fixed and Management does not anticipate reaching them.

In accordance with the recommendations of IFRS 3, the Company reversed its current liabilities, in 2013, for the amounts of $400 for contingent considerations which was due December 15, 2012 and $777 which was due December 15, 2013 and, in 2014, $631 which is due December 15, 2014, as a reduction of the general and administrative expenses.

1085820 Ontario Limited (Advantage Control Technologies):

The purchase price of 1085820 Ontario Limited is subject to an adjustment of an amount up to $2,400 calculated based on certain specific financial objectives for the periods ended November 8, 2011, 2012 and 2013. This contingent consideration has been evaluated at fair value at the acquisition date. For the periods ended November 8, 2011 and November 8, 2012, the Company 1085820 Ontario Limited had not reached the specific financial objectives, and therefore the Company has reversed and amount of $1,600 of the contingent liabilities related to these periods. For the period ended November 8, 2013, the Company 1085820 Ontario Limited had not reached the specific financial objectives, and as at June 30, 2013, the Company has reversed an amount of $407 of the contingent liabilitiies. For the balance of the contingent consideration due November 8, 2013, Management evaluated its specific financial objectives and therefore the Company reversed an amount of $375 as at June 30, 2014 for the contingent consideration.

2. CONTINGENT CONSIDERATIONS (continued)

In accordance with the recommendations of IFRS 3, the Company reversed the accrued contingent consideration of its current liabilities for the amount of $800 which was due November 8, 2011, $800 which was due November 8, 2012 and $407 which was due November 8, 2013. As at June 30, 2014, the Company reversed the balance of the contingent consideration for an amount of $375 due November 8, 2013, as a reduction of the general and administrative expenses.

3. BASIS OF PREPARATION

Basis of presentation

These consolidated financial statements have been prepared in accordance with *International Financial Reporting Standards («IFRS»)*, issued and effective, or issued and early adopted, for the year ended June 30, 2014. The IFRS accounting policies set out below were consistently applied to all periods presented.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in Note 6.

These consolidated financial statements have been prepared on a historical cost basis, except for the contingent liabilities and investments, 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»). All values are rounded to the nearest thousand dollars, except where otherwise indicated.

These consolidated financial statements were approved for issue by the Board of Directors of Orbit Garant Drilling Inc. on September 22, 2014.

4. STANDARDS AND INTERPRETATIONS ADOPTED

The following standards and amendments to existing standards have been adopted by the Company on July 1, 2013:

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 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 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 13 – Fair Value Measurement
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.

4. STANDARDS AND INTERPRETATIONS ADOPTED (continued)

IFRS 7 - Financial instruments - Disclosure
IFRS 7 is amended to include obligations of qualitative and quantitative information related to gross and net amounts recognized in the financial statements that, a) are subject to an offset in the Statement of financial position and b) are subject to a master netting agreement or similar agreement enforceable even if they are not netted in the Statement of financial position.

IAS 19 - Employee benefits
IAS 19 is amended to eliminate the application of the so-called «corridor» method and has the effect of deferring the recognition of gains and losses to simplify the presentation of changes in assets and liabilities arising from defined benefit plans and improve disclosures for defined benefit plans.

IAS 27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures
IAS 27 and IAS 28 are amended and renamed to be consistent with the publication of IFRS 10, IFRS 11 and IFRS 12.

The International Accounting Standards Board issued a collection of amendments to IFRS as follows :

IFRS 1, *First-time adoption of IFRS* («IFRS 1») related to repeated application of IFRS 1 and to borrowing costs.

IAS 1, *Presentation of Financial Statements*, related to clarification of the requirements for comparative information.

IAS 16, P*roperty, Plant and Equipment*, related to classification of servicing equipment.

IAS 32, *Financial Instruments* : Presentation, related to tax effect of distribution to holders of equity instruments.

IAS 34, *Interim Financial Reporting*, related to interim financial reporting and segment information for total assets and liabilities.

Except for IFRS 13, which only had an impact on disclosures for the financial instruments, the standards and amendments listed above did not have any impact on the Company's financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, independently of its percentage of participation. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when the Company controls another entity.

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 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 (loss).

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 (loss).

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
Investments	Available-for-sale	Fair value
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.

Accounts receivables

Accounts 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 accounts 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Investments in publicly traded securities are classified as available-for-sale. Available-for-sale investments are recorded at fair value, with unrealized gain or losses recorded in other comprehensive loss. Realized gains or losses are recorded in the consolidated statements of loss when the investment is sold.

If the fair value of an investment declines below the carrying amount, the Company undertakes an assessment of whether the impairment is significant or prolonged. When a decline in the fair value of an available-for-sale investment has been recognized in other comprehensive loss and there is objective evidence that the investment is impaired, any cumulative loss that has been recognized in other comprehensive loss is reclassified as an impairment loss in the consolidated statement of loss.

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 depreciation 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 depreciation 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 reporting 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 date 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and is net of stock options cancelled prior of being vested. When unexercised stock options are forfeited or expired, the amounts are transfered to retained earnings.

Restructuring costs

A restructuring provision is recognized when the Company has developped a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising form the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

6. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements 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

Depreciation methods, residual values and useful lives of property, plant and equipment are reviewed at each reporting date by the Management. Any change is accounted for prospectively as a change in accounting estimate. As at June 30, 2014, 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.

6. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

Impairment of long-lived assets

An impairment loss is recognized when the carrying amount of an asset is not recoverable and exceeds its recoverable value. Management reviews on a regular basis the impairment assesment of its property, plant and equipment to criteria defined in Note 5. As at June 30,2014, the Company has performed an impairment test of long-lived assets and concluded that there was no impairment charge that has to be recognised (see Notes 12 and 14).

Potential impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires Management to estimate future cash flows expected to arise from the CGU and suitable discount rate in order to calculate present value. The key assumptions required for the value in use estimation are the future cash flows growth rate and the discount rate. Cash flows for each CGU are derived from the budget for the upcoming year and a long-term forecast prepared by Management, which covers a period of 5 years. The budget, which is approved on an annual basis by members of the Company's Board of Directors and Management, and long-term forecast, which is prepared on an annual basis by the Company's Management, are the primary sources for the determination of value in use. The values assigned to the key assumptions reflect past experience and are consistent with external sources of information (see Note 13).

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 financial position date and changes in estimates are reflected in the consolidated statement of earnings in the reporting period in which changes occur.

6. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

Contingent considerations

The fair value recognized for contingent considerations has been estimated by Management based on the subsidiaries's 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.

7. 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, 2018, with early adoption permitted.

IFRS 15 – Revenue from Contracts with Customers
IFRS 15 specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 is effective from periods beginning January 1, 2017, with early adoption permitted.

IAS 32 – Financial Instruments - Presentation
IAS 32 is amended to provide clarification on the application of rules to offset financial assets and financial liabilities. The following notions are clarified: legally enforceable right to offset, application of simultaneous realization or settlement, offsetting a guaranteed amount and the unit of accounting for application of the offsetting obligations. Amended IAS 32 is applicable for the periods beginning on, or after January 1, 2014 and must be applied retrospectively.

IAS 36 – Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets
IAS 36 is amended to address the disclosure information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. Amended IAS 36 is applicable for the periods beginning on, or after January 1, 2014, with an earlier application permitted.

IFRIC 21 – Levies
IFRIC Interpretation 21 considers how an entity should account for levies imposed by governments, other than income taxes, in its financial statements. IFRIC Interpretation 21 is applicable for the periods beginning on, or after January 1, 2014, with an earlier application permitted.

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

7. RECENT ACCOUNTING PRONOUNCEMENT (continued)

The following amendments to the standards have been issued by the IASB and are applicable to the Company for its annual periods beginning on July 1, 2014 and thereafter, with an earlier application permitted:

Annual improvements to IFRS (2010-2012 Cycle), which include among others:

Amendments to IFRS 2, *Share-based Payments*, relate to the definitions of «vesting condition» and «market condition» and add definitions for «performance condition» and «service condition».

Amendments to IFRS 3, *Business Combinations*, clarify that contingent consideration classified as an asset or a liability should be measured at fair value on each reporting date, irrespective of whether the contingent consideration is a financial instrument or a non-financial asset or liability.

Amendments to IFRS 8, *Operating Segments*, require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments and clarity that a reconciliation of the total of the reportable segments' assets and the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision maker.

Amendments to IFRS 13, *Fair Value Measurement*, clarify that the issuance of IFRS 13 did not remove the ability to measure current receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

Annual improvements to IFRS (2011-2013 Cycle), which include among others:

Amendments to IFRS 3, *Business Combinations*, clarify that the scope of IFRS 3 does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

Amendments to IFRS 13, *Fair Value Measurement*, clarify that the scope of the portfolio exception for measuring the fair value of a group of financial liabilities on a net basis includes all contracts that are within the scope of IAS 39, *Financial Instruments: Recognition and Measurement*, even if those contracts do not meet the definition of financial assets or financial liabilities.

The Company is currently evaluating the impacts of adopting these standards on its financial statements.

8. EXPENSES BY NATURE

Detail of the depreciation and amortization expenses

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

	June 30 2014	June 30 2013
	$	$
Cost of contract revenue	9,458	9,874
General and administrative expenses	1,590	2,875
Total depreciation and amortization	11,048	12,749

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

8. EXPENSES BY NATURE (continued)

Principal expenses by nature

Cost of contract revenue, general and administrative expenses, other expenses (revenues), finance costs, restructuring costs and impairment of goodwill and intangible assets, net by nature are as follows:

	June 30 2014	June 30 2013
	$	$
Depreciation and amortization	11,048	12,749
Employee benefits expense	40,726	52,986
Cost of inventory	15,568	25,485
Other expenses	13,014	39,788
Total cost of contract revenue, general and administrative expenses, other expenses (revenues), finance costs, restructuring costs and impairment of goodwill and intangible assets	80,356	131,008

9. RESTRUCTURING COSTS

As part of the reorganization of its activities intended to implement its strategic plan and to increase efficiency and competitiveness, the Company incurred restructuring costs totalling $342 for the year ended June 30, 2014 (June 30, 2013: $nil). The amount paid during the year ended June 30, 2014 for restructuring costs totalled $151 (year ended June 30, 2013: $nil). These accrued restructuring costs will be disbursed within the next year.

The restructuring costs recognized for the year ended June 30, 2014 were mainly for severances.

10. INVENTORIES

Inventories consist of the following:

	June 30 2014	June 30 2013
	$	$
Spare parts, net	11,805	11,414
Consumables, net	23,521	26,229
Other	1,097	1,108
	36,423	38,751

Spare parts mainly include motors and heads. Spare parts are charged to the statement of earnings when used on equipment. Consumables mainly include destructive tools, rods, hammers, wire lines and casing. Consumables are charged to the statement of earnings when they are used.

During the year, the Company proceeded to the reclassifying of certain inventory categories which resulted in the following changes for the year ended June 30, 2013 : a $320 increase for spare parts, a $264 decrease for consumables and a $56 decrease for the other category.

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

10. INVENTORIES (continued)

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

	June 30 2014	June 30 2013
	$	$
	15,568	25,485

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.

11. INVESTMENTS

Changes in investments were as follows:

	June 30 2014	June 30 2013
	$	$
Investments in public companies, beginning of year	-	-
Acquisitions	116	-
Conversion of accounts receivable	184	-
Investments in public companies, end of year	300	-

The Company holds common shares in publicly traded companies. These shares are designated as available-for-sale and are reported at fair value, reflecting their quoted share price as at the financial position date. As at June 30, 2014, the investments are recorded at the original cost of $300 ($nil as at June 30, 2013). As at June 30, 2014, the fair value of these investments is equal to their original cost.

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

12. PROPERTY, PLANT AND EQUIPMENT

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

	Land	Buildings and components	Drilling equipment	Vehicles	Other	Total
Cost	$	$	$	$	$	$
Balance as at July 1, 2013	512	9,847	61,836	15,227	3,168	90,590
Additions	-	14	2,433	503	152	3,102
Disposals	-	(73)	(1,476)	(1,490)	(580)	(3,619)
Effect of movements in exchange rates	-	-	20	6	(2)	24
Balance as at June 30, 2014	512	9,788	62,813	14,246	2,738	90,097
Accumulated Depreciation						
Balance as at July 1, 2013	-	1,329	26,759	7,209	1,564	36,861
Depreciation	-	572	7,553	1,906	435	10,466
Disposals	-	(27)	(1,373)	(1,307)	(578)	(3,285)
Effect of movements in exchange rates	-	-	28	(14)	1	15
Balance as at June 30, 2014	-	1,874	32,967	7,794	1,422	44,057

	Land	Buildings and components	Drilling equipment	Vehicles	Other	Total
Cost	$	$	$	$	$	$
Balance as at July 1, 2012	512	9,762	57,202	14,591	2,808	84,875
Additions	-	85	6,887	1,949	360	9,281
Disposals	-	-	(2,256)	(1,316)	-	(3,572)
Effect of movements in exchange rates	-	-	3	3	-	6
Balance as at June 30, 2013	512	9,847	61,836	15,227	3,168	90,590
Accumulated Depreciation						
Balance as at July 1, 2012	-	752	21,170	5,865	1,208	28,995
Depreciation	-	577	7,562	2,359	356	10,854
Disposals	-	-	(1,973)	(1,015)	-	(2,988)
Balance as at June 30, 2013	-	1,329	26,759	7,209	1,564	36,861
Net book value:						
June 30, 2013	512	8,518	35,077	8,018	1,604	53,729
June 30, 2014	512	7,914	29,846	6,452	1,316	46,040

The gain on disposal of property, plant and equipment totalling $21 for the year ended June 30, 2014 (a loss of $187 for the year ended June 30, 2013) is included in cost of contract revenue. There was no impairment charge recognised as at June 30, 2014 and 2013.

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

13. GOODWILL

The following table details a reconciliation of the amount of the Company's goodwill:

	$
Balance as at June 30, 2012	26,771
Impairment of goodwill	(26,771)
Balance as at June 30, 2013 and 2014	-

Impairment of goodwill

As at June 30, 2013, the Company has performed its annual goodwill impairment testing. Due to the weaknesses of the market, an impairment charge of $18,930 relating to the Canada CGU and an impairment charge of $7,841 relating to the International CGU has been recognised. The valuation for impairment testing is based on an assessment of fair value less cost to sell and the value in use.

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.

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 gross profit margin, which have 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.

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

14. INTANGIBLE ASSETS

Changes in the intangible assets balance were as follows:

Customer relationship	Cost	Accumulated amortization	Total
	$	$	$
Balance as at June 30, 2012	18,014	(15,457)	2,557
Amortization	-	(1,189)	(1,189)
Impairment of intangible assets	-	(1,368)	(1,368)
Elimination of cost of intangible assets completely amortized and impaired	(18,014)	18,014	-
Balance as at June 30, 2013 and 2014	-	-	-

Drilling technology	Cost	Accumulated amortization	Total
	$	$	$
Balance as at July 1, 2012	2,912	(582)	2,330
Amortization	-	(582)	(582)
Balance as at June 30, 2013	2,912	(1,164)	1,748
Amortization	-	(582)	(582)
Balance as at June 30, 2014	2,912	(1,746)	1,166

Non-compete agreement	Cost	Accumulated amortization	Total
	$	$	$
Balance as at June 30, 2012	2,480	(2,295)	185
Amortization	-	(124)	(124)
Impairment of intangible assets	-	(61)	(61)
Elimination of cost of intangible assets completely amortized and impaired	(2,480)	2,480	-
Balance as at June 30, 2013 and 2014	-	-	-

Net book value:	
June 30, 2013	1,748
June 30, 2014	1,166

As at June 30, 2013, due to the weaknesses of the market, an impairment charge of $1,368 relating to the customer relationship and an impairment charge of $61 relating to the non-compete agreement has been recognised. There was no impairment charge recognised as at June 30, 2014.

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

15. LONG-TERM DEBT

	June 30 2014	June 30 2013
	$	$
Loan authorized for a maximum amount of $30 million ($40 million before May 5, 2014), bearing interest at prime rate plus 1.0%, effective rate as at June 30, 2014 4.0%, maturing May 2015, secured by first rank hypothec on the universality of all present and future assets (a) (b)	8,482	14,355
Loans, bearing interest at rates ranging from 0% to 1.5%, payable in monthly instalments of $26, maturing in September 2014, secured by certain vehicles of a net book value of $705 as at June 30, 2014 and $912 as at June 30, 2013	65	404
	8,547	14,759
Current portion	(8,547)	(338)
	-	14,421

(a) The rate is variable based on the quarterly calculation of a financial ratio and can vary from prime rate plus 0.5% to 2.0% since May 5, 2014 (0,5% to 1,5% before May 5, 2014). As per certain conditions, the credit facility can be increased by an amount of $20 million up to a maximum authorized amount of $50 million since May 5, 2014 ($60 million before May 5, 2014).

(b) An unamortized amount of $18 ($144 as at June 30, 2013), 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 16). As at June 30, 2014, the Company was not compliant with certain of its financial covenants.

On June 30, 2014, the prime rate was 3% (3% as at June 30, 2013).

Principal payments required in the next year are as follows:

	$
2015	8,565

Subsequent event:

On August 28, 2014, the bank agreed to amend the Credit Agreement to waive these breaches and revise certain of the financial covenants.

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

16. 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 2014	June 30 2013
	$	$
Long-term debt	8,547	14,759
Share capital	54,411	54,411
Equity settled reserve	5,133	4,480
Retained earnings	25,025	31,327
Cash	(335)	(1,507)
	92,781	103,470

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 at June 30, 2014, as mentioned in Note 15, the Company was in breach of certain financial covenants imposed by its debt agreement.

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.

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

17. 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.

	June 30, 2014		June 30, 2013	
	Number of shares	$	Number of shares	$
Balance, beginning of the year	33,276,519	54,411	33,276,519	54,411
Shares issued	-	-	-	-
Balance, end of the year	33,276,519	54,411	33,276,519	54,411

Loss per share

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

Loss per share - basic	June 30 2014	June 30 2013
Loss available to common shareholders	(6,302) $	(26,470) $
Weighted average basic number of common shares outstanding	33,276,519	33,276,519
Loss per share - basic	(0.19) $	(0.80) $

Loss per share - diluted	June 30 2014	June 30 2013
Loss available to common shareholders	(6,302) $	(26,470) $
Weighted average basic number of common shares outstanding	33,276,519	33,276,519
Adjustment to average number of common shares - stock options (1)	-	-
Weighted average diluted number of common shares outstanding	33,276,519	33,276,519
Loss per share - diluted	(0.19) $	(0.80) $

(1) Stock options are not included in the computation of diluted loss per share as their inclusion would be anti-dilutive.

17. SHARE CAPITAL (continued)

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 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 upon the exercice of options under the 2008 stock option plan shall not exceed 10% of the issued and outstanding common shares (this limit does not include, for greater certainty, options outstanding under the 2007 stock 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, manages the 2008 Stock Option Plan and determines, 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 vest at a rate of 20% per annum commencing 12 months after the date of grant and expire no later than 7 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)

17. SHARE CAPITAL (continued)

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

	June 30, 2014		June 30, 2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Outstanding at the beginning of year	3,173,000	3.08	2,623,000	3.25
Granted during the year	682,500	1.02	550,000	2.28
Cancelled during the year	(92,000)	2.71	-	-
Outstanding at end of year	3,763,500	2.72	3,173,000	3.08
Exercisable at end of year	2,342,000	2.85	2,044,000	2.66

The following table summarizes information on stock options outstanding at June 30, 2014:

Range of exercise price $	Outstanding at June 30, 2014	Weighted average remaining life (years)	Weighted average exercise price $	Exercisable at June 30, 2014	Weighted average exercise price $
1.00 - 1.50	1,685,500	4.09	1.02	1,033,000	1.02
2.00 - 2.50	511,000	5.38	2.28	107,000	2.28
4.00	925,000	4.44	4.00	865,000	4.00
5.60 - 6.02	642,000	3.84	5.67	337,000	5.68
	3,763,500			2,342,000	

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 2013	Granted in November 2012
Risk-free interest rate	1.53%	1.27%
Expected life (years)	5	5
Expected volatility (based on historical volatility)	63.31%	75.73%
Expected dividend yield	0%	0%
Fair value of options granted	$0.55	$1.39

During the years mentionned 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 2014	June 30 2013
	$	$
Expense related to share-based compensation	653	956

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

18. INCOME TAXES

Income tax expense (recovery) comprises the following:

	June 30 2014	June 30 2013
Current tax	$	$
Current year	(1,157)	1,061
Prior year adjustments	(80)	200
	(1,237)	1,261
Deferred tax		
Current year	(1,225)	(1,575)
Prior year adjustments	-	(149)
Effect of corporate tax rate modification	(43)	96
	(1,268)	(1,628)
	(2,505)	(367)

The tax rate prescribed by the applicable laws is at 26.75% in 2014 and at 26.52% in 2013. The applicable tax rate of the Company corresponds to Canadian combined rates applicable in the provinces where the Company operates.

	June 30 2014	June 30 2013
	$	$
Loss before income taxes	(8,807)	(26,837)
Statutory rates	26.75%	26.52%
Income taxes recovery based on statutory rates	(2,356)	(7,117)
Increase (decrease) of income taxes due to the following:		
Non-deductible expenses and other	54	10
Non-deductible share-based compensation expense	175	253
Non-deductible impairment of goodwill	-	7,100
Non-deductible reversal of contingent considerations	(270)	(845)
Effect of corporate tax rate modification	(43)	96
Prior year adjustments	(80)	50
Change in fair value of contingent considerations	15	86
Total income taxes recovery	(2,505)	(367)

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

18. INCOME TAXES (continued)

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:

	July 1 2013	Recognized in statement of earnings	Other	June 30 2014
	$	$	$	$
Deferred income tax assets:				
Loss carried forward	1,249	1,224	-	2,473
Total deferred income tax assets	1,249	1,224	-	2,473
Deferred income tax liabilities:				
Property, plant and equipment	2,176	113	-	2,289
Intangible assets	431	(157)	(22)	252
Total deferred income tax liabilities	2,607	(44)	(22)	2,541
Net deferred income tax liabilities	1,358	(1,268)	(22)	68

	July 1 2012	Recognized in statement of earnings	Other	June 30 2013
	$	$	$	$
Deferred income tax assets:				
Loss carried forward	-	959	290	1,249
Total deferred income tax assets	-	959	290	1,249
Deferred income tax liabilities:				
Property, plant and equipment	2,019	157	-	2,176
Intangible assets	1,466	(826)	(209)	431
Total deferred income tax liabilities	3,485	(669)	(209)	2,607
Net deferred income tax liabilities	3,485	(1,628)	(499)	1,358

19. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

Changes in non-cash operating working capital items:

	June 30 2014	June 30 2013
	$	$
Accounts receivable	2,433	17,608
Inventories	2,328	3,285
Prepaid expenses	(261)	146
Accounts payable and accrued liabilities	(149)	(10,434)
	4,351	10,605

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

20. COMMITMENTS

The Company has entered into operating lease agreements expiring in 2017 which call for lease payments of $150 for the rental of vehicles. The Company has also entered into lease agreements for offices expiring in 2021 for minimum lease payments of $1,456. 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:

	$
2015	438
2016	291
2017	271
2018	192
2019	178
Subsequent years	236

Lease payments recognised as an expense during the year amount to $823 (year ended June 30, 2013: $844). 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.

21. RELATED PARTY TRANSACTIONS

The Company is related to Dynamitage Castonguay Ltd., company owned by directors.

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

	June 30 2014	June 30 2013
	$	$
Sales	345	31
Purchases	13	25

As at June 30, 2014, accounts receivable include a balance of $77 (June 30, 2013: $nil) resulting from these transactions.

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

22. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	June 30 2014	June 30 2013
	$	$
Salaries and fees	1,059	1,102
Share-based compensation	281	514
	1,340	1,616

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

23. 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, 2014, the Company has cash in US dollars for an amount of $726 (June 30, 2013, $1,098) and accounts receivable in US dollars for an amount of $174 (June 30, 2013, $522).

As at June 30, 2014, 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 $37 (June 30, 2013, $68).

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, 2014, the amount of the insurance coverage from EDC represents approximately 5% of the accounts receivable (35% in June 30, 2013). Due to the reduction of International drilling demands the Company does not meet the EDC requirements. Consequently, the insurance coverage ceased as of May 1, 2014. Considering the payed premiums and claims made over the past years, the Company has evaluated that this change will have little impact on its financial results.

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.

The allowance for doubtful accounts is established based on the 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 2014	June 30 2013
	$	$
Balance at beginning of year	1,239	308
Change in allowance, other than write-offs and recoveries	284	1,547
Write-offs of accounts receivables	(193)	(406)
Recoveries	(204)	(210)
Balance at end of year	1,126	1,239

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

23. FINANCIAL INSTRUMENTS (continued)

As at June 30, 2014, 45% (June 30, 2013: 37%) of the trade accounts receivable are aged as current and 7% are impaired (June 30, 2013: 7%).

One major customer represents 12% of the trade accounts receivable as at June 30, 2014 (June 30, 2013, one major customer represents 26% of these accounts).

Two major customers represent 30% of the contract revenue for the year ended June 30, 2014 (year ended June 30, 2013, one major customer represents 22%).

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, 2014, 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 $63 (June 30, 2013, $110).

Equity market risk

Equity market risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors the general trends in the stock markets and individual equity movements, and determines the appropriate course of actions to be taken by the Company.

Fair value

The fair value of cash, accounts receivable and accounts payable and accrued liabilities is approximately equal to their carrying values due to their short-term maturity. The fair value of the investments is equal to their original cost.

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 considerations has been evaluated with 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.

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

23. FINANCIAL INSTRUMENTS (continued)

As at June 30, 2014 and 2013, the contingent considerations are classified as a Level 3 financial instrument as the fair value is determined using a discounted rate value between 6.5% and 12%. There is no observable inputs for that financial intrument. The investments are classified as a Level 2 financial instrument as the fair value is determined using other inputs than quoted prices in the active market.

The changes in the contingent considerations are detailed below:

	June 30 2014	June 30 2013
	$	$
Balance at beginning of year	1,096	4,356
Payment of contingent considerations	-	(400)
Reversal of contingent considerations (Note 2)	(1,006)	(3,184)
Change in fair value of contingent considerations	56	324
Balance at end of year	146	1,096

There were no transfers of amounts between Level 1, Level 2 and Level 3 financial instruments for the years ended June 30, 2014 and 2013.

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

				As at June 30, 2014
	Total	0 -1 year	2 - 3 years	4 - 5 years
	$	$	$	$
Accounts payable and accrued liabilities	9,623	9,623	-	-
Contingent considerations	150	150	-	-
Long-term debt (capital only)	8,565	8,565	-	-
	18,338	18,338	-	-

				As at June 30, 2013
	Total	0 -1 year	2 - 3 years	4 - 5 years
	$	$	$	$
Accounts payable and accrued liabilities	9,772	9,772	-	-
Contingent considerations	1,175	375	800	-
Long-term debt (capital only)	14,903	338	14,565	-
	25,850	10,485	15,365	-

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

24. 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 operating 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 Officer, who evaluates the performance of both sectors by the revenues of ordinary activities from external clients, gross margin and net earnings.

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

	June 30 2014	June 30 2013
	$	$
Contract revenue		
Canada	68,232	97,643
International	3,317	6,528
	71,549	104,171
Gross profit		
Canada	4,699	16,561
International	(945)	(1,064)
	3,754	15,497
General corporate expenses	11,716	41,014
Finance costs	845	1,320
Income taxes recovery	(2,505)	(367)
	10,056	41,967
Loss	(6,302)	(26,470)
Depreciation and amortization		
Canada	8,405	8,757
International	1,053	1,117
Unallocated and corporate assets	1,590	2,875
	11,048	12,749

	As at June 30, 2014	As at June 30, 2013
	$	$
Identifiable assets		
Canada	93,263	104,187
International	9,690	13,016
	102,953	117,203
Property, plant and equipment		
Canada	43,184	48,928
International	2,856	4,801
	46,040	53,729

Directors
Guthrie J. Stewart
Chairman of the Board of Directors

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*, 2)
Chief Financial Officer, Cartier Resources Inc.

Edmund Stuart (1, 2*)
President, Brannach Services Inc.

Pierre Alexandre
Vice Chairman and Vice President of Corporate Development,
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, 2014)

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

Auditors
Deloitte LLP

Annual General Meeting
Thursday, December 4, 2014 in Montréal
Fairmont Queen Elizabeth Hotel, Ramezay Room
900 Boulevard René-Lévesque Ouest
The meeting will commence at 10:00 a.m. (ET)

Orbit Garant family members celebrating Saint-Jean Baptiste Day in Val-d'Or

IN OUR COMMUNITIES

The long-term viability of our company is inextricably tied to the social and economic vitality of the communities in which we operate. By building local relationships based on shared interests, including mutual economic benefit, high standards in health and safety, and responsible environmental stewardship, Orbit Garant is ensuring that it has a positive impact on local communities.

We appreciate the importance of supporting community programs that benefit local residents and support long-term socio-economic development. In this regard, Orbit Garant has entered into partnerships with regional governments to provide driller training programs for residents in both Val-d'Or, Quebec, and Nunavut.

To minimize environmental impact on our project sites, we use only modern equipment that undergoes regular maintenance, operated by highly trained professionals. We employ innovative technologies, including systems that enhance fuel efficiency and rubber-tractioned drill rigs that minimize impact on sensitive terrain. Our use of non-toxic lubricants and containment mats, coupled with our comprehensive waste recycling program, further safeguards the environment. Our roving drill site monitoring team continuously monitors our drilling operations on customer projects, ensuring that our health and safety, and environmental policies and procedures are strictly adhered to.

FORAGE ORBIT GARANT DRILLING

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CONTACT

Should you have any questions regarding Orbit Garant Drilling and its operations, please do not hesitate to contact us at one of our offices listed below. It will be our pleasure to assist you and we look forward to working with you to address your specific needs.

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