FORAGE ORBIT GARANT DRILLING




Financial statements First quarter ended September 30, 2009

ORBIT GARANT DRILLING INC.

Consolidated statement of earnings and comprehensive income

(Unaudited)

	September 30 2009 (3 months)	September 30 2008 (3 months)
	$	$
CONTRACT REVENUE	24,403,751	23,115,529
COST OF CONTRACT REVENUE	16,399,753	15,592,986
GROSS PROFIT	8,003,998	7,522,543
EXPENSES		
General and administrative	1,784,412	1,631,970
Amortization of property, plant and equipment	1,255,347	870,917
Amortization of intangible assets	1,124,137	1,005,501
Gain on sale of capital assets	-	(8,625)
Foreign exchange losses	37,951	13,735
Interest on long-term debt	89,242	95,801
Interest and bank charges	11,235	21,013
	4,302,324	3,630,312
EARNINGS BEFORE THE FOLLOWING ITEMS	3,701,674	3,892,231
INTEREST REVENUE	11,254	-
SHARE IN NET EARNINGS OF A COMPANY SUBJECT TO SIGNIFICANT INFLUENCE	28,661	90,364
EARNINGS BEFORE INCOME TAXES	3,741,589	3,982,595
INCOME TAXES		
Current	1,561,709	1,849,858
Future	(325,469)	(516,173)
	1,236,240	1,333,685
NET EARNINGS AND COMPREHENSIVE INCOME	2,505,349	2,648,910
Earnings per share (Note 7)		
Basic	0.08	0.08
Diluted	0.08	0.08

ORBIT GARANT DRILLING INC.
Consolidated statement of retained earnings, accumulated other comprehensive loss and contributed surplus
(Unaudited)

	September 30 2009 (3 months)	September 30 2008 (3 months)
	$	$
STATEMENT OF RETAINED EARNINGS		
BALANCE, BEGINNING OF THE PERIOD	23,737,456	11,147,690
NET EARNINGS	2,505,349	2,648,910
BALANCE, END OF THE PERIOD	26,242,805	13,796,600
STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE LOSS		
BALANCE, BEGINNING OF THE PERIOD	-	(34,524)
OTHER COMPREHENSIVE INCOME (LOSS)	-	-
BALANCE, END OF THE PERIOD	-	(34,524)
STATEMENT OF CONTRIBUTED SURPLUS		
BALANCE, BEGINNING OF THE PERIOD	899,336	450,177
STOCK-BASED COMPENSATION TO EMPLOYEES AND DIRECTORS (Note 7)	80,435	154,550
BALANCE, END OF THE PERIOD	979,771	604,727

ORBIT GARANT DRILLING INC.
Consolidated balance sheet
(Unaudited)

	September 30 2009	June 30 2009
	$	$
ASSETS		
CURRENT ASSETS		
Cash	6,888,230	10,557,766
Accounts receivable	18,613,000	22,682,833
Income taxes receivable	1,231,554	-
Inventories	19,912,437	19,670,210
Prepaid expenses	294,878	324,531
	46,940,099	53,235,340
LONG-TERM INVESTMENTS	550,617	521,956
PROPERTY, PLANT AND EQUIPMENT	24,554,086	24,106,307
GOODWILL	19,697,965	19,697,965
INTANGIBLE ASSETS	4,184,205	5,308,342
	95,926,972	102,869,910
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	10,645,139	10,641,645
Client deposits	275,000	348,250
Income taxes payable	-	1,910,453
Current portion of long-term debt (Note 5)	148,742	88,800
	11,068,881	12,989,148
LONG-TERM DEBT (Note 5)	3,378,196	10,661,182
FUTURE INCOME TAXES	2,359,158	2,684,627
	16,806,235	26,334,957
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	51,898,161	51,898,161
Contributed surplus	979,771	899,336
	52,877,932	52,797,497
Retained earnings	26,242,805	23,737,456
	79,120,737	76,534,953
	95,926,972	102,869,910

APPROVED BY THE BOARD

(signed) Eric Alexandre, Director
(signed) Jean-Yves Laliberté, Director

ORBIT GARANT DRILLING INC.
Consolidated statement of cash flows
(Unaudited)

	September 30 2009 (3 months)	September 30 2008 (3 months)
	$	$
OPERATING ACTIVITIES		
Net earnings	2,505,349	2,648,910
Items not affecting cash:		
Amortization of property, plant and equipment	1,255,347	870,917
Amortization of intangible assets	1,124,137	1,005,501
Gain on sale of property, plant and equipment	-	(8,625)
Stock-based compensation	80,435	154,550
Amortization of financing costs	17,487	17,487
Future income taxes	(325,469)	(516,173)
Share in net earnings of a company subject to significant influence less dividends	(28,661)	(50,364)
	4,628,625	4,122,203
Changes in non-cash operating working capital items (Note 8)	645,496	(2,917,128)
	5,274,121	1,205,075
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,703,126)	(3,946,533)
Proceeds from sale of property, plant and equipment	-	10,500
	(1,703,126)	(3,936,033)
FINANCING ACTIVITIES		
Change in bank loan	-	(3,484,468)
Proceeds from long-term debt	177,082	236,034
Repayment of long-term debt	(7,417,613)	(720,093)
	(7,240,531)	(3,968,527)
NET CHANGE IN VARIATION OF CASH AND CASH EQUIVALENT	(3,669,536)	(6,699,485)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	10,557,766	5,996,868
CASH AND CASH EQUIVALENTS, END OF THE PERIOD (Note 8)	6,888,230	(702,617)

Additional information (Note 8)

1. BASIS OF PRESENTATION

These interim consolidated financial statements were prepared using accounting policies and methods consistent with those used in the preparation of the company's audited consolidated financial statements for the year ended June 30, 2009, except for the adoption of new accounting policies as disclosed in Note 2 below. These financial statements do not contain all disclosures required by Canadian generally accepted accounting principles for annual financial statements and, accordingly, the financial statements should be read in conjunction with the most recently prepared annual consolidated financial statements for the year ended June 30, 2009.

2. CHANGE IN ACCOUNTING POLICIES

Goodwill and intangible assets

Effective July 1, 2009, the Company adopted retroactively the new CICA Handbook Section 3064, Goodwill and Intangible Assets, which establishes standards for recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and intangible assets. Standards concerning goodwill are unchanged from the standards included in the previous CICA Handbook Section 3062. The adoption of this new standard did not have a material impact on the Company's consolidated financial statements.

3. INVENTORY

The cost of inventory recognized as an expense and included in cost of contract revenue for the three months ended September 30, 2009 was $4,986,114 (Three months ended September 30, 2008, $4,094,624). During the period, there were no significant write-downs of inventory as a result of net realizable value being lower than cost and no inventory write-downs recognized in previous years were reversed.

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

4. BANK OVERDRAFT AND BANK LOAN

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

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

5. LONG-TERM DEBT

	September 30 2009	June 30 2009
	$	$
Loan authorized for a maximum amount of $20 million, quarterly reduced, since September 2008, by principal amount of $714,286, bearing interest at prime rate plus 0.42%, maturing June 2012, secured by first rank hypothec on the universality of all present and future assets. The company shall quarterly repay the amount in excess of the authorized amounts as so reduced on such date a) b)	-	7,242,590
Loan authorized for a maximum amount of $6 million, quarterly reduced, since September 2008, by principal amount of $300,000, bearing interest at prime rate plus 0.42%, maturing June 2012, secured by first rank hypothec on the universality of all present and future assets. The company shall quarterly repay the amount in excess of the authorized amounts as so reduced on such date a) b)	3,174,653	3,300,000
Loan, 1%, payable by monthly instalments of $4,995, maturing July 2012, secured by a vehicle	167,093	-
Loan, non-interest bearing, payable by monthly instalments of $6,557, maturing September 2011, secured by a vehicle	157,356	177,025
Contract, non-interest bearing, payable by monthly instalments of $844, maturing in June 2012, secured by a vehicle	27,836	30,367
	3,526,938	10,749,982
Current portion	(148,742)	(88,800)
	3,378,196	10,661,182

a) The rate is variable based on the quarterly calculation of a financial ratio and can vary from prime rate plus 0.42% to 1.42%.

b) An unamortized amount of $125,347 (June 30, 2009, $142,834), representing financing fees, has been presented in deduction of the long-term debt. This amount is being amortized to earnings over the term of the debt, using the effective interest method.

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

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

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

	$
2010	148,742
2011	148,742
2012	3,354,799

6. CAPITAL MANAGEMENT

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

Total managed capital was as follows:

	September 30 2009	June 30 2009
	$	$
Long-term debt	3,526,938	10,749,982
Share capital	51,898,161	51,898,161
Contributed surplus	979,771	899,336
Retained earnings	26,242,805	23,737,456
Cash	(6,888,230)	(10,557,766)
	75,759,445	76,727,169

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

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

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

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

7. SHARE CAPITAL

Authorized, an unlimited number of common and preferred shares:

Common shares, participating and voting

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

Common shares issued:

	Three month period ended September 30, 2009		Year ended June 30, 2009	
	Number of shares	$	Number of shares	$
Balance, beginning of the period	32,738,684	51,918,161	32,281,542	50,942,617
Shares issued:				
For business acquisition a)	-	-	457,142	975,544
	32,738,684	51,918,161	32,738,684	51,918,161
Share purchase financing b)	-	(20,000)	-	(20,000)
Balance, end of the period	32,738,684	51,898,161	32,738,684	51,898,161

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

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

b) Share purchase financing:

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

Earnings per share

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

	September 30 2009 (3 months)	September 30 2008 (3 months)
Earnings per share - basic		
Net earnings available to common shareholders	2,505,349	2,648,910
Average basic number of common shares outstanding	32,738,684	32,281,542
Earnings per share - basic	0.08	0.08

7. SHARE CAPITAL (continued)

	September 30 2009 (3 months)	September 30 2008 (3 months)
Earnings per share - diluted		
Net earnings available to common shareholders	2,505,349	2,648,910
Average basic number of common shares outstanding	32,738,684	32,281,542
Adjustment to average number of common shares-stock options	498,220	693,857
Average diluted number of common shares outstanding	33,236,904	32,975,399
Earnings per share - diluted	0.08	0.08

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

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

Range of exercice prices $	Outstanding at September 30, 2009	Weighted average remaining life (years)	Weighted average Exercice price $	Exercisable at September 30, 2009	Weighted average exercice price $
1.00 - 1.50	1,048,000	7.36	1.02	786,000	1.02
4.00	625,000	8.74	4.00	125,000	4.00
	1,673,000			911,000	

During the three months period ended September 30, 2009, the total expense related to stock-based compensation to employees and directors amounting to $80,435 has been recorded and presented in general and administrative expenses ($154,550 for the three months period ended September 30, 2008).

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

	Number of options	Weighted Average exercise price $
Outstanding as of June 30, 2009	1,673,000	2.13
Variation of the period	-	
Oustanding as of September 30, 2009	1,673,000	2.13
Exercisable as at September 30, 2009	911,000	1.43

8. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

	September 30 2009 (3 months)	September 30 2008 (3 months)
Changes in non-cash operating working capital items	$	$
Accounts receivable	4,069,833	335,234
Inventories	(242,227)	(4,956,001)
Prepaid expenses	29,653	43,892
Accounts payable and accrued liabilities	3,494	3,690,242
Client deposits	(73,250)	(328,133)
Income taxes payable	(3,142,007)	(1,702,362)
	645,496	(2,917,128)
Cash and cash equivalents		
Cash	6,888,230	439,690
Bank overdraft	-	(1,142,307)
	6,888,230	(702,617)
Other information		
Interest paid	89,242	99,327
Income taxes paid	4,769,815	3,552,220

9. FINANCIAL INSTRUMENTS

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

Currency risk

The company realizes a part of its activities in US dollars and is thus exposed to foreign exchange fluctuations. The company does not actively manage this risk. As at September 30, 2009, the company has cash in US dollars for an amount of $254,487 and accounts receivable in US dollars for an amount of $177,085.

As at September 30, 2009, the company has estimated that a ten percent increase or decrease of the US exchange rate would have caused a corresponding quarterly increase or decrease in net earnings of approximately $37,792.

9. FINANCIAL INSTRUMENTS (continued)

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, copper and zinc.

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 September 30, 2009, the amount of the insurance coverage from EDC represents approximately 62% of the accounts receivable.

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

As at September 30, 2009, 46% of the trade accounts receivable are aged as current and 9.6% of receivables are impaired.

Two major customers represent 23% of the trade accounts receivable as at September 30, 2009, respectively by customer, 13% and 10% (June 30, 2009, three major customers represent 43%, respectively by customer, 17%, 14% and 12%).

One major customer represent 11% of the contract revenue for the 3-month period ended September 30, 2009. Two major customers represent 23% of the contract revenue for the 3-month period ended September 30, 2008, respectively by customer, 12% and 11%.

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

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

Interest rate risk

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

As at September 30, 2009, the company has estimated that a one percentage point increase or decrease in interest rates would have caused a corresponding quarterly increase or decrease in net earnings of approximately $23,975.

Fair value

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

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

Liquidity risk

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

9. FINANCIAL INSTRUMENTS (continued)

The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Notes 4 (Bank overdraft and bank loan) and 5 (Long term debt), are details of undrawn facilities that the company has at its disposal to further reduce liquidity risk.

	Total	0-1 year	2-3 years
	$	$	$
Client deposits	275,000	275,000	-
Accounts payable and accrued charges	10,645,139	10,645,139	-
Long-term debt (capital only)	3,652,283	148,742	3,503,541
	14,572,422	11,068,881	3,503,541

10. SEGMENTED INFORMATION

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

	September 30 2009 (3 months)	September 30 2008 (3 months)
	$	$
Contract revenue		
Drilling Canada	22,625,399	21,700,971
Drilling International	1,747,975	1,197,581
Manufacturing Canada	30,377	216,977
	24,403,751	23,115,529
Gross profit		
Drilling Canada	7,284,694	7,043,865
Drilling International	700,540	330,400
Manufacturing Canada	18,764	148,278
	8,003,998	7,522,543
Interest	100,477	116,814
General corporate expenses	4,161,928	3,423,134
Income taxes	1,236,240	1,333,685
	5,498,645	4,873,633
Net earnings	2,505,353	2,648,910
Amortization		
Drilling and Manufacturing Canada	1,106,715	1,815,184
Drilling International	148,632	61,234
	1,255,347	1,876,418

	As at September 30, 2009	As at September 30, 2008
Identifiable assets		
Drilling and Manufacturing Canada	90,252,078	87,353,354
Drilling International	5,674,894	6,095,135
	95,926,972	93,448,489
Property, plant and equipment		
Drilling and Manufacturing Canada	21,852,603	21,276,520
Drilling International	2,701,483	1,759,937
	24,554,086	23,036,457

11. COMPARATIVE FIGURES

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