FORAGE ORBIT GARANT DRILLING

Financial statements
First quarter ended
September 30, 2010

ORBIT GARANT DRILLING INC.

Consolidated statement of earnings and comprehensive income

Periods ended
(Unaudited)

	September 30 2010 (3 months)	September 30 2009 (3 months)
	$	$
CONTRACT REVENUE	27,385,415	24,415,005
COST OF CONTRACT REVENUE	20,241,484	16,399,753
GROSS PROFIT	7,143,931	8,015,252
EXPENSES		
General and administrative	1,950,827	1,784,412
Amortization of property, plant and equipment	1,624,186	1,255,347
Amortization of intangible assets	357,470	1,124,137
Foreign exchange losses	32,628	37,951
Interest on long-term debt	17,783	46,248
Interest and bank charges	42,450	54,229
	4,025,344	4,302,324
EARNINGS BEFORE THE FOLLOWING ITEMS	3,118,587	3,712,928
SHARE IN NET EARNINGS OF A COMPANY SUBJECT TO SIGNIFICANT INFLUENCE	100,950	28,661
EARNINGS BEFORE INCOME TAXES	3,219,537	3,741,589
INCOME TAXES		
Current	1,058,827	1,561,709
Future	(88,463)	(325,469)
	970,364	1,236,240
NET EARNINGS AND COMPREHENSIVE INCOME	2,249,173	2,505,349
Earnings per share (Note 7)		
Basic	0.07	0.08
Diluted	0.07	0.08

See accompanying notes.

ORBIT GARANT DRILLING INC.
Consolidated statement of retained earnings and contributed surplus
Periods ended
(Unaudited)

	September 30 2010 (3 months)	September 30 2009 (3 months)
	$	$
STATEMENT OF RETAINED EARNINGS		
BALANCE, BEGINNING OF THE PERIOD	36,324,656	23,737,456
NET EARNINGS	2,249,173	2,505,349
BALANCE, END OF THE PERIOD	38,573,829	26,242,805
STATEMENT OF CONTRIBUTED SURPLUS		
BALANCE, BEGINNING OF THE PERIOD	1,368,606	899,336
STOCK-BASED COMPENSATION TO EMPLOYEES AND DIRECTORS (Note 7)	123,225	80,435
BALANCE, END OF THE PERIOD	1,491,831	979,771

See accompanying notes.

ORBIT GARANT DRILLING INC.

Consolidated balance sheet

(Unaudited)

	September 30 2010	June 30 2010
	$	$
ASSETS		
CURRENT ASSETS		
Cash	3,385,858	8,113,518
Accounts receivable	22,129,532	21,188,000
Inventories	24,060,911	22,708,282
Income taxes receivable	3,321,788	2,351,181
Prepaid expenses	369,722	460,516
	53,267,811	54,821,497
LONG-TERM INVESTMENTS	987,271	886,321
PROPERTY, PLANT AND EQUIPMENT	32,570,405	31,680,726
GOODWILL	19,697,965	19,697,965
INTANGIBLE ASSETS	1,016,093	1,373,563
	107,539,545	108,460,072
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	13,321,871	16,600,728
Client deposits	612,479	557,205
Current portion of long-term debt (Note 5)	228,217	202,870
	14,162,567	17,360,803
LONG-TERM DEBT (Note 5)	166,175	172,401
FUTURE INCOME TAXES	1,246,982	1,335,445
	15,575,724	18,868,649
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	51,898,161	51,898,161
Contributed surplus	1,491,831	1,368,606
Retained earnings	38,573,829	36,324,656
	91,963,821	89,591,423
	107,539,545	108,460,072

APPROVED BY THE BOARD

(signed) Eric Alexandre, Director

(signed) Jean-Yves Laliberté, Director

See accompanying notes.

ORBIT GARANT DRILLING INC.

Consolidated statement of cash flows

Periods ended

(Unaudited)

	September 30 2010 (3 months)	September 30 2009 (3 months)
	$	$
OPERATING ACTIVITIES		
Net earnings	2,249,173	2,505,349
Items not affecting cash:		
Amortization of property, plant and equipment	1,624,186	1,255,347
Amortization of intangible assets	357,470	1,124,137
Loss on disposal of property, plant and equipment	56,936	-
Stock-based compensation	123,225	80,435
Amortization of financing costs	17,487	17,487
Future income taxes	(88,463)	(325,469)
Share in net earnings of a company subject to significant influence less dividends	(100,950)	(28,661)
	4,239,064	4,628,625
Changes in non-cash operating working capital items (Note 8)	(6,397,557)	645,496
	(2,158,493)	5,274,121
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(2,670,639)	(1,703,126)
Proceeds from disposal of property, plant and equipment	99,838	-
	(2,570,801)	(1,703,126)
FINANCING ACTIVITIES		
Proceeds from long-term debt	69,782	177,082
Repayment of long-term debt	(68,148)	(7,417,613)
	1,634	(7,240,531)
DECREASE IN CASH	(4,727,660)	(3,669,536)
CASH, BEGINNING OF THE PERIOD	8,113,518	10,557,766
CASH, END OF THE PERIOD	3,385,858	6,888,230

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, 2010. 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, 2010.

2. FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards

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

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

Business combinations, consolidated financial statements and non-controlling interests

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

3. INVENTORY

The cost of inventory recognized as an expense and included in cost of contract revenue for the three months ended September 30, 2010 was $5,667,898 (three months ended September 30, 2009, $4,986,114). 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 LOAN

The company has an authorized line of credit for an amount of $7,000,000 bearing interest at prime rate based on the calculation of quarterly financial ratio and can vary from prime rate plus 0.42% to 1.42% renewable on November 30, 2010. Any funds advanced pursuant to this line of credit are secured by a first rank hypothec on the universality of all present and future assets. On September 30, 2010, the prime rate was 3% (June 30, 2010, 2.50%).

Under the terms of the bank loan agreement, the company must satisfy certain restrictive covenants as to minimum financial ratios (see Note 6).

5. LONG-TERM DEBT

	September 30 2010	June 30 2010
	$	$
Loans, bearing interest at rates ranging from 0% to 1%, payable in monthly instalments of $18,925, maturing in August 2013, secured by certain vehicles of a net book value of $604,750	394,392	375,271
	394,392	375,271
Current portion	(228,217)	(202,870)
	166,175	172,401

The company has an authorized loan for a maximum amount of $13,571,426, quarterly reduced by principal amount of $714,286, bearing interest at prime rate plus 0.42% maturing June 2012, secured by first rank hypothec on the universality of all present and future assets. The company shall quarterly repay the amount in excess of the authorized amounts as so reduced on such date.

Also, the company has an authorized loan for a maximum amount of $3,300,000, quarterly reduced by principal amount of $300,000, bearing interest at prime rate plus 0.42% maturing June 2012, secured by first rank hypothec on the universality of all present and future assets. The company shall quarterly repay the amount in excess of the authorized amounts as so reduced on such date.

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

Under the terms of the long-term debt agreement, the company must satisfy certain restrictive covenants as to minimum financial ratios (see Note 6).

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

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

	$
2011	228,217
2012	135,670
2013	30,505

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 2010	June 30 2010
	$	$
Long-term debt	394,392	375,271
Share capital	51,898,161	51,898,161
Contributed surplus	1,491,831	1,368,606
Retained earnings	38,573,829	36,324,656
Cash	(3,385,858)	(8,113,518)
	88,972,355	81,853,176

6. CAPITAL MANAGEMENT (continued)

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 months period ended September 30, 2010		Year ended June 30, 2010	
	Number of shares	$	Number of shares	$
Balance, beginning of the period	32,738,684	51,918,161	32,738,684	51,918,161
Share purchase financing (a)	-	(20,000)	-	(20,000)
Balance, end of the period	32,738,684	51,898,161	32,738,684	51,898,161

(a) Share purchase financing:

On August 20, 2007, 13,333 common shares were issued to an employee of the company at $1.50 per common share under the company's share purchase plan. The company granted a five-year loan in the amount of $20,000 to this employee pursuant to the terms and conditions set out in a promissory note secured by 13,333 common shares. The loan is repayable at the earlier of (i) the date the shares were sold or, (ii) at the maturity date of the loan. Interest on the principal of the loan is calculated and compounded annually at a rate of 8%. As at September 30, 2010, the fair value of the securities is $61,332 .

7. SHARE CAPITAL (continued)

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 2010 (3 months)	September 30 2009 (3 months)
	$	$
Earnings per share - basic		
Net earnings available to common shareholders	2,249,173	2,505,349
Average basic number of common shares outstanding	32,738,684	32,738,684
Earnings per share - basic	0.07	0.08

	September 30 2010 (3 months)	September 30 2009 (3 months)
	$	$
Earnings per share - diluted		
Net earnings available to common shareholders	2,249,173	2,505,349
Average basic number of common shares outstanding	32,738,684	32,738,684
Adjustment to average number of common shares Stock options	758,796	498,220
Average diluted number of common shares outstanding	33,497,480	33,236,904
Earnings per share - diluted	0.07	0.08

625,000 options outstanding as at September 30, 2009 were not included in the calculation of the earnings per share diluted because they are antidilutive.

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

	Number of options	Weighted average exercise price
		$
Outstanding as at June 30, 2010	1,973,000	2.42
Variation of the period	-	-
Outstanding as of September 30, 2010	1,973,000	2.42
Exercisable as at September 30, 2010	1,298,000	1.59

7. SHARE CAPITAL (continued)

The following table summarized information on stock options outstanding at September 30, 2010:

Range of exercice prices $	Outstanding at September 30, 2010	Weighted average remaining life (years)	Weighted average exercice price $	Exercisable at September 30, 2010	Weighted average exercice price $
1.00 - 1.50	1,048,000	6.37	1.02	1,048,000	1.02
4.00	925,000	8.19	4.00	250,000	4.00
	1,973,000			1,298,000	

During the three months period ended September 30, 2010, the total expense related to stock-based compensation to employees and directors amounting to $123,225 has been recorded and presented in general and administrative expenses ($80,435 for the three months period ended September 30, 2009).

8. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

Changes in non-cash operating working capital items

	September 30 2010 (3 months) $	September 30 2009 (3 months) $
Accounts receivable	(941,532)	4,069,833
Inventories	(1,352,629)	(242,227)
Income taxes receivable	(970,607)	-
Prepaid expenses	90,794	29,653
Accounts payable and accrued liabilities	(3,278,857)	3,494
Client deposits	55,274	(73,250)
Income taxes payable	-	(3,142,007)
	(6,397,557)	645,496

Other information

Interest paid	296	28,761
Income taxes paid	2,029,434	4,769,815

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, 2010, the company has cash in US dollars for an amount of $398,124 (June 30, 2010, $227,670) and accounts receivable in US dollars for an amount of $230,951 (June 30, 2010, $515,626).

As at September 30, 2010, the company has estimated that a ten percent increase or decrease of the US exchange rate would have caused a corresponding annual increase or decrease in net earnings of approximately $12,600 (September 30, 2009, $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 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 September 30, 2010, the amount of the insurance coverage from EDC represents approximately 43% of the accounts receivable (June 30, 2010, 53%).

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, 2010, 44% (June 30, 2010, 54.9%) of the trade accounts receivable are aged as current and 4.8% (June 30, 2010, 5%) of receivables are impaired.

One major customer represents 12% of the trade accounts receivable as at September 30, 2010 (June 30, 2010, one major customer represent 10% of the trade accounts receivable).

One major customer represents 11% of the contract revenue for the three months period ended September 30, 2010 (September 30, 2010, one major customer represent 11% of the contract revenue).

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, 2010 the company has estimated that a one percentage point increase or decrease in interest rate would have no significant impact on earnings before income taxes.

Fair value

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

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

9. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

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

The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Notes 4 and 5 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	612,479	612,479	-
Accounts payable and accrued charges	13,321,871	13,321,871	-
Long-term debt (capital only)	394,392	228,217	166,175
	14,328,742	14,162,567	166,175

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 2010 (3 months)	September 30 2009 (3 months)
	$	$
Contract revenue		
Drilling Canada	24,751,808	22,636,653
Drilling International	2,469,876	1,747,975
Manufacturing Canada	1,807,560	869,073
Elimination - Manufacturing Canada	(1,643,829)	(838,696)
	27,385,415	24,415,005
Gross profit		
Drilling Canada	5,673,048	7,295,948
Drilling International	1,363,411	700,540
Manufacturing Canada	107,472	18,764
	7,143,931	8,015,252
Interest	60,233	100,477
General corporate expenses	3,864,161	4,173,186
Income taxes	970,364	1,236,240
	4,894,758	5,509,903
Net earnings	2,249,173	2,505,349
Amortization		
Drilling and Manufacturing Canada	1,753,233	2,230,852
Drilling International	228,423	148,632
	1,981,656	2,379,484

10. SEGMENTED INFORMATION (continued)

	As at September 30, 2010	As at June 30, 2010
Identifiable assets		
Drilling and Manufacturing Canada	100,234,826	100,764,064
Drilling International	7,304,719	7,696,008
	107,539,545	108,460,072
Property, plant and equipment		
Drilling and Manufacturing Canada	29,149,549	28,209,911
Drilling International	3,420,856	3,470,815
	32,570,405	31,680,726

11. COMPARATIVE FIGURES

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

12. SUBSEQUENT EVENT

On November 8, 2010, the company acquired all issued and outstanding shares of 1085820 Ontario Inc. (operating as Advantage Control Technologies) for a total consideration of $6,085,000 payable for a cash consideration of $2,935,000, and the equivalent of $750,000 in common shares of Orbit Garant, at an issue price of $5.65 per share and a cash consideration of a maximum of $2,400,000 subject to the achievement to certain financial performances over the next three years. This purchase price is subject to some adjustments related to a level of working capital and liabilities. The company will also acquired some equipment related to this business for amount of $375,000 payable in cash. This company, located in Ontario, is specialized in the development of new technologies for mineral drilling.