FORAGE ORBIT GARANT DRILLING

Management's Discussion and Analysis

First Quarter Fiscal 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

FIRST QUARTER ENDED SEPTEMBER 30, 2011

This Management Discussion and Analysis ("MD&A") is a review of the results of operations, the liquidity and the capital resources of Orbit Garant Drilling Inc. This discussion contains forward-looking statements. Please see ''Forward-Looking Statements'' for a discussion of the risks, uncertainties and assumptions relating to these statements.

This MD&A should be read in conjunction with the comparative unaudited interim condensed consolidated financial statements for the three months ended September 30, 2011 as compared with the corresponding period of the previous year and also with the audited consolidated financial statements and MD&A contained in the Company's annual report for the fiscal year ended June 30, 2011.

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

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 December 8, 2011. Disclosure contained in this document is current to that date unless otherwise stated.

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

Additional information relating to the Company, including the Company's Annual Information Form for the most recently completed 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 global economic climate as it relates to the mining and mineral drilling industries, 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.

FIRST QUARTER FISCAL 2012 (Q1 FY2012) HIGHLIGHTS

- Record revenue of $37.1 million, compared to $27.4 million in the first quarter of fiscal 2011 (Q1 FY2011), an increase of 35.4%

- Gross margin improved to 24.0% for Q1 FY2012, from 20.5% for Q1 FY2011 as now presented under IFRS, which includes amortization expenses. Excluding amortization expenses, the gross margin improved to 29.5%, from 26.1% in Q1 FY2012.

- EBITDA totalled $8.3 million, up 58.5% from $5.2 million in Q1 FY2011

- Record 367,247 meters drilled in the first quarter up 14.4% from 320,959 meters in Q1 FY2011

- An expanding fleet of 187 drill rigs, including 8 drills added and one sold in Q1 FY2012

- A $16.9 million increase in working capital to $56.0 million during Q1 FY2012, from $39.1 million at September 30, 2010

- Capital expenditures of $6.7 million to sustain growing business activity

- Long-term debt of $20.8 million

CORPORATE OVERVIEW

From its head office in Val-d'Or, Québec, Orbit Garant manages a fleet of 187 drilling rigs that services the mining industry in Canada and internationally. The Company has a cost efficient infrastructure and is vertically integrated with its subsidiary, Soudure Royale, which manufactures drill rigs for the Company and third parties (and so provides a competitive advantage in the provision of drilling services). The Company focuses on "specialized drilling", which refers to those drilling projects that are in remote locations or, in the opinion of management, because of the scope, complexity or technical nature of the work, cannot be completed by small conventional drilling companies.

The Company has three operating segments: Drilling Canada (including domestic surface drilling and underground drilling), Drilling International, and Manufacturing Canada.

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

The Company provides both surface and underground drilling services, which account for approximately 74% and 25% of the Company's revenues, respectively. The manufacturing division accounts for the remaining 1% of revenue.

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

Orbit Garant operates in stable jurisdictions, with approximately 83% of the Company's revenues generated in Canada. The Company also operates in the USA, Mexico and Guyana. Approximately 98% of the Company's revenue is in Canadian dollars, which provides greater stability.

Approximately 70% of the Company's customers are major and intermediate-sized mining companies, with which the Company has contracts of one to three years in length.

BUSINESS STRATEGY

Orbit Garant's goal is to be one of the largest Canadian-based mineral drilling companies, providing both underground and surface drilling for all stages of the mining and minerals business, including exploration, development and production. The Company employs the following business strategy:

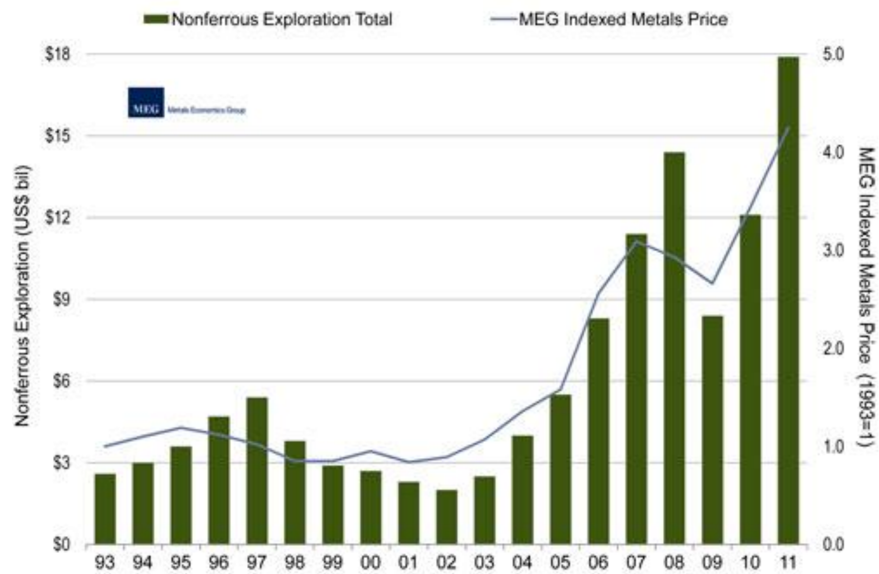
- Focusing primarily on major and well financed intermediate mining and exploration companies operating in stable jurisdictions;
- Providing conventional and specialized drilling services;
- Manufacturing drills and equipment to fit the needs of customers;
- Maintaining a strong commitment to R&D and advanced drilling technologies;
- Providing training courses for the Company's personnel to continuously improve labour efficiency and the availability of a skilled labour force;
- Maintaining a high level of safety standards in the work environment, and promoting protection of the environment;
- Establishing and maintaining long-term relationships with customers;
- Cross-selling drilling services to existing customers;
- Expanding its bases of operations in strategic regions, such as Orbit Garant Ontario, based in Sudbury, Ontario; and
- Evaluating strategic acquisition opportunities to enhance value for the Company's stakeholders.

INDUSTRY OVERVIEW

Demand for services in the mineral drilling industry is driven by conditions in the global precious and base metals markets. The strength of demand is primarily determined by price levels for precious and base metals and the availability of capital to finance exploration and development programs and/or ongoing mining operations. Although there remains uncertainty in global economic conditions and the current state of financial markets, gold prices currently in excess of US$1,700 an ounce, and base metal prices that are well above the five-year price lows experienced in late 2008 and early 2009, have created steady demand for mineral drilling services.

Global mineral exploration and mine development drilling budgets have continued to recover from the market downturn in 2009. According to Metals Economics Group (MEG), a leading independent resource for global mining industry information and analysis, the estimated total 2011 global budget for nonferrous metals exploration was US$18.2 billion, a new all-time high.

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



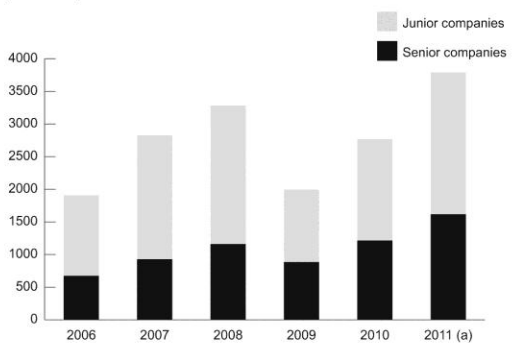
Source: Metals Economics Group

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

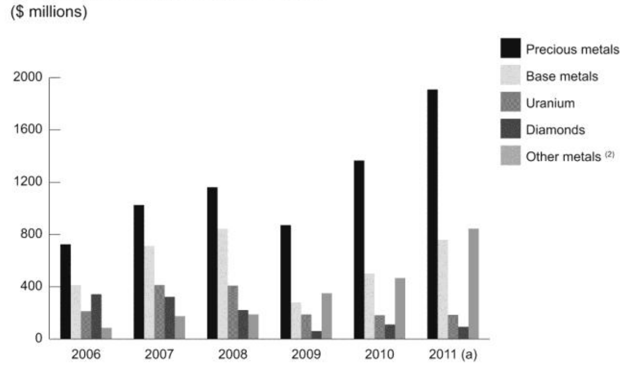
**Relative prices for 2011 are based on the average through September.

In Canada, Natural Resources Canada (NRCan) forecasts that mineral exploration and development spending will also attain record levels in 2011. Based on a survey of resource companies conducted in February 2011, NRCan projected Canadian mineral exploration spending would exceed $3.0 billion in 2011, almost equalling the record $3.3 billion spent in 2008. Based on more recent spending intention data gathered from resource companies, NRCan now estimates that Canadian mineral exploration spending in 2011 will exceed $3.5 billion, surpassing the record levels of 2008. Ontario, Quebec, British Columbia, and Nunavut are expected to account for almost three-quarters of Canadian mineral exploration spending.

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



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



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

Gold

With the current uncertainty concerning global economic conditions and financial markets, largely due to sovereign debt issues in Europe, uncertainty related to US deficit reduction, and broader concerns over a weakening global economy, gold has once again emerged as a preferred safe haven for capital. This has resulted in strong demand and record gold prices of more than US$1,900 an ounce in September 2011 and current prices of more than US$1,700 an ounce. This, in turn, has resulted in robust cash flows for gold producers and strong access to capital for companies with highly prospective exploration and / or development properties.

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

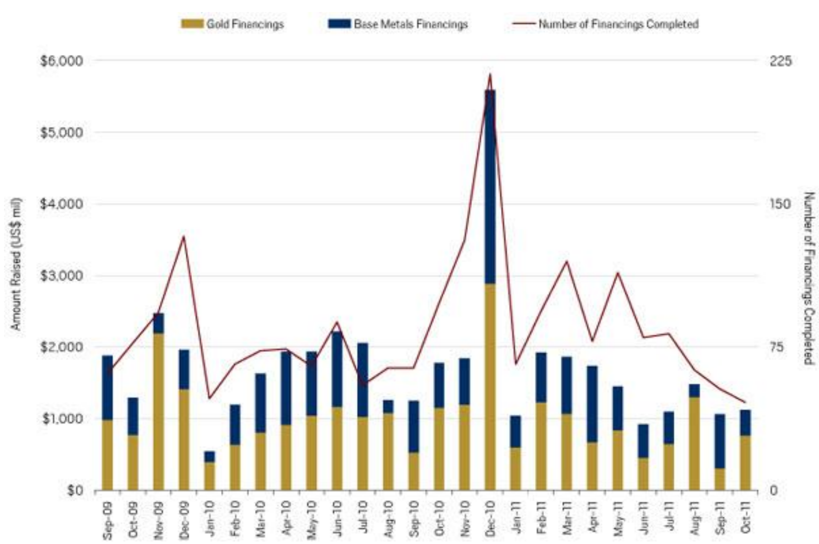
Base metals

Global economic uncertainty has resulted in recent volatility for base metal prices. While prices for aluminum, copper, lead, nickel and zinc – the primary industrial metals –all still well above the five-year price lows experienced in late 2008 and early 2009, and well above average costs of production, growing widespread uncertainty concerning the global economic outlook has resulted in a recent decline in base metal prices. If this trend continues, it may impact exploration budgets for base metals in the short to intermediate term.

Market participants

With higher precious and base metals prices since the market downturn in early 2009, the mining industry has remained relatively healthy. Many large companies, which have increased reserve levels in recent years only through upgrades at existing mines and/or M&A activity, have ramped up exploration budgets. Intermediate and junior companies, which were conserving cash during the market downturn in 2009, increased their exploration budgets in 2010 and growth in spending continued in 2011. However, continued global economic uncertainty and the recent base metal price volatility have impacted the ability of intermediates and juniors to raise capital. MEG's Pipeline Activity Index (November 24, 2011) indicates that intermediate and junior base metals financings in September and October, 2011, were at their lowest levels since the May – June period in 2009, and intermediate and junior gold financings were at their lowest level since the January – February period in 2010.

Significant Junior and Intermediate Financings Completed



Source: Metals Economics Group Industry Monitor; Exploration Activity Services

OVERALL PERFORMANCE

Results of operations first quarter ended September 30, 2011

FIRST QUARTER ENDED SEPTEMBER 30 * ($millions)	Fiscal 2012 Quarter 1	Fiscal 2011 Quarter 1	2012 vs. 2011 Variation	Variation (%)
Revenue *	37.1	27.4	9.7	35.4
Gross profit *	8.9	5.6	3.3	59.1
Gross margin (%)	24.0	20.5		3.5
Adjusted gross margin (%) (1)	29.5	26.1		3.4
EBITDA * (2)	8.3	5.2	3.1	58.5
Meters drilled	367,247	320,959	46,288	14.4
Net earnings *	3.7	2.2	1.5	65.8
Net earnings per common shares - Basic ($)	0.11	0.07		
- Diluted ($)	0.11	0.07		

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

The Company continued to increase the number of meters drilled, reaching 367,247 meters in Q1 FY2012, an increase of 46,288 meters from 320,959 meters drilled in Q1 FY2011. The Company continued to expand its fleet through the addition of eight drill rigs and the disposal of one rig during the first quarter of fiscal 2012.

The Company's adjusted gross margin improved to 29.5% in Q1 FY2012 from 26.1% in the first quarter of fiscal 2011, reflecting the stronger pricing environment compared to Q1 FY2011.

Orbit Garant generated net earnings of $3.7 million in Q1 FY2012, compared to $2.2 million in Q1 FY2011, an increase of $1.5 million, or 65.8%.

THREE MONTHS ENDED SEPTEMBER 30, 2011 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2010

Contract revenue	Three months ended September 30, 2011			Three months ended September 30, 2010		
Segmented information *($ millions)	Revenue ($)	Gross profit ($)	Gross margin %	Revenue ($)	Gross profit ($)	Gross margin %
Drilling Canada *	30.4	4.9	16.3	24.7	4.4	17.7
Drilling International *	6.2	4.0	63.7	2.5	1.1	46.0
Manufacturing Canada *	0.5	-	5.9	0.2	0.1	57.7
	37.1	8.9	24.0	27.4	5.6	20.5

Since the second half of fiscal 2011, revenue per meter drilled has increased due to strong industry demand for drilling services and this trend continued in Q1 FY2012, as the Company's average revenue per meter drilled increased to $99.52, up from $84.81 in the first quarter of fiscal 2011.

ANALYSIS OF THE FIRST QUARTER OF FISCAL 2012 COMPARED TO FIRST QUARTER OF FISCAL 2011

Contract revenue

During Q1 FY2012 revenues were $37.1 million, an increase of $9.7 million or 35.4% compared to the quarter ended September 30, 2010. Increased revenue is attributable to a 14.4% increase in the number of meters drilled from, 320,959 in Q1 FY2011 to 367,247 in Q1 FY2012, and increased revenue per meter due to price increases.

Domestic surface drilling revenue was $21.2 million in Q1 FY2012, compared to $14.5 million in Q1 FY2011, representing an increase of 45.5%. Most of the increase was attributable to new contracts and the Company's new Ontario operations.

Underground drilling revenue decreased 10.1% to $9.2 million in Q1 FY2012, from $10.2 million in Q1 FY2011. The decrease resulted from a reduction in meters drilled.

International drilling revenue was $6.2 million in Q1 FY2012 compared to $2.5 million in Q1 FY2011, an increase of 150.8%. This is a direct result of new contracts initiated during fiscal 2011 and price increases.

Revenue from the manufacturing division was $0.5 million during Q1 FY2012 compared to $0.2 million for Q1 FY2011. Demand for new drills from third parties has increased slightly, but Orbit Garant continues to utilize capacity at Soudure Royale to manufacture drills and equipment for its own fleet.

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

Gross profit for the first quarter of fiscal 2012 increased 59.1% to $8.9 million from $5.6 million in Q1 FY2011. Gross margin for Q1 FY2012 increased to 24.0% from 20.5% in the first quarter a year ago. In accordance with IFRS, amortization expenses totalling $2.0 million are included in cost of contract revenue. Adjusted gross margin, excluding amortization expenses, increased to 29.5% in Q1 FY2012 compared to adjusted gross margin of 26.1% in Q1 FY2011. The year-over-year increase in gross profit and margin resulted primarily from price increases and increased activity in international drilling.

General and administrative expenses

General and administrative (G&A) expenses increased to $3.6 million (9.6% of revenue) in Q1 FY2012 from $2.4 million (8.8% of revenue) in Q1 FY2011. Higher G&A expenses in Q1 FY2012 resulted primarily from increased personnel, the Company's new branch office in Sudbury, Ontario, and its new, larger head office and base of operations in Val-d'Or, Quebec.

In accordance with IFRS, amortization expenses of $0.2 million related to the Company's head office, and $0.6 million related to intangible assets, are included in G&A expenses. G&A expenses, excluding amortization expenses, totalled $2.7 million (7.4% of revenue) in Q1 FY2012, compared to $2.0 million (7.2% of revenue) in Q1 FY2011.

EBITDA (see Reconciliation of non-IFRS measures)

EBITDA totalled $8.3 million in the first quarter of fiscal 2012, compared to $5.2 million in the same period a year ago, an increase of $3.1 million, or 58.5%. EBITDA margin in Q1 FY2012 was 22.4%, compared to 19.1% in the corresponding period in fiscal 2011.

Financial expenses

Interest costs related to long-term debt and bank charges were $0.2 million in Q1 FY2012, compared to negligible in Q1 FY2011.

Amortization

Amortization expenses for Q1 FY2012 increased to $2.9 million from $2.0 million in Q1 FY2011. Increased amortization expenses in Q1 FY2012 are primarily related to higher depreciation costs associated with property, plant and equipment, and the amortization of goodwill associated with the Company's acquisitions of Advantage Control Technologies and Morris Drilling Inc. in the second quarter of fiscal 2011.

Income taxes

Income taxes were $1.6 million for Q1 FY2012 compared to $1.0 million for the same period last year.

Net earnings

Net earnings for Q1 FY2012 were $3.7 million, or $0.11 per share ($0.11 per diluted share), compared to $2.2 million, or $0.07 per share ($0.07 per diluted share) for Q1 FY2011.

SUMMARY OF QUARTERLY RESULTS (1)

		Fiscal 2012	Fiscal 2011¹				Fiscal 2010¹		
* ($millions)		Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31
Contract revenue *		37.1	41.1	33.4	25.9	27.4	33.1	28.8	23.7
Gross profit *		8.9	10.1	6.8	5.9	5.6	9.1	8.9	7.6
Gross margin %		24.0	24.7	20.4	22.9	20.5	-	-	-
Adjusted Gross margin % (2)		29.5	29.2	25.7	29.1	26.1	27.6	31.0	32.0
Net earnings *		3.7	4.5	2.1	2.6	2.2	4.0	3.7	2.4
EBITDA (3) *		8.3	9.3	5.7	5.8	5.2	7.8	7.9	6.0
Net earnings per common share ($)	- Basic	0.11	0.14	0.06	0.08	0.07	0.12	0.11	0.07
	-Diluted	0.11	0.13	0.06	0.08	0.07	0.12	0.11	0.07

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

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

Cash flow from operations before non-cash operating working capital items was $8.4 million during Q1 FY2012, compared to $5.3 million in Q1 FY2011.

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

Investing activities

Cash used in investing activities totalled $5.4 million for the first quarter of 2012, compared to $2.6 million during Q1 FY2011. During Q1 FY2012, $6.7 million was used for the acquisition of property, plant and equipment, partially offset by cash of $0.5 million on disposition of property, plant and equipment. This compares with $2.7 million for the acquisition of Property, Plant and Equipment, partially offset by cash of $0.1 million on disposition of a property during Q1 FY2011.

Financing activities

Cash flow generated from financing activities was $6.0 million for Q1 FY2012. During Q1 FY2011 cash flow from financing activities was negligible.

As at September 30, 2011, the Company's working capital was $56.0 million compared to $39.1 million as at September 30, 2010. The Company's working capital requirements are primarily to fund inventory acquisition and support accounts receivable.

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

Source of Financing

The Company's primary sources of liquidity are from operations and borrowings under a credit agreement between the Company and National Bank of Canada Inc. (the "Credit Agreement") and also equity financing. On May 27 2011, Orbit Garant obtained a new $40.0 million secured, four-year revolving credit facility. Orbit Garant and its lenders have the option to increase the funds available under the new credit facility up to a total of $60.0 million, subject to certain conditions. The new credit facility will be used to fund working capital requirements and provide further flexibility to the Company's long-term acquisition program. This facility matures no later than May 27, 2015. As of September 30, 2011 the Company has used $19.7 million.

The Credit Agreement contains covenants that limit the Company's ability to undertake certain actions, including mergers, liquidations, dissolutions and changes of ownership; the incurrence of additional indebtedness; encumbering the Company's assets; guarantees, loans, investments and acquisitions that may be made by the Company; investing in or entering into derivative instruments, paying dividends and/or making other capital distributions to related parties; making capital expenditures; and making certain asset sales.

OUTSTANDING SECURITIES AS OF DECEMBER 8, 2011

Number of shares	33,059,437
Number of options	2,623,000
Fully diluted	35,682,437

From July 1, 2011 to December 8, 2011; 10,500 options were exercised at an exercise price of $1.00 per share and the Company issued 300,000 options.

SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and adoption of IFRS

These interim condensed consolidated financial statements reflect the first-time adoption of International Financial Reporting Standards ("IFRS"), which replaced Canadian Generally Accepted Accounting Principles ("GAAP") as of January 1, 2011. The cost of sales and administrative expenses now include amortization expenses. All disclosures and explanations related to the first-time adoption of IFRS are presented in note 19, which provides information that is considered material to the understanding of the Company's first IFRS financial statements. It also presents a reconciliation of the 2010 financial figures prepared under Canadian GAAP to the 2010 financial figures prepared under IFRS, including a reconciliation of the consolidated statements of earnings, comprehensive earnings and cash flows for the three-month period ended September 30, 2010 and for the year ended June 30, 2011, as well as a reconciliation of the consolidated balance sheets and equity as of July 1, 2010, September 30, 2010 and as of June 30, 2011.

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

The interim condensed consolidated financial statements have been prepared with IFRS as issued by the International Accounting Standards Board ("IASB"). In particular, they were prepared in accordance with IAS 34, Interim Financial Reporting, and with IFRS 1, First-time Adoption of IFRS. These interim condensed consolidated financial statements should be read in conjunction with the 2011 annual consolidated financial statements and in consideration of the IFRS transition disclosures included in note 19.
These interim condensed consolidated financial statements were approved for issue by the Board of Directors of Orbit Garant Drilling Inc. on December 8, 2011.

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

CHANGES TO ACCOUNTING POLICIES

Transition to IFRS

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

Prior to the adoption of IFRS for all periods up to and including the year ended June 30, 2010, the Company's consolidated financial statements were prepared in accordance with Canadian GAAP. The Company applied IFRS 1 First-time Adoption of IFRS to prepare its first interim condensed consolidated financial statements. The transition impact to IFRS on equity, net earnings, comprehensive earnings and cash flows is presented and described in note 19.

Initial choices on adoption

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

Mandatory exceptions

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

Optional choices applied by the Company

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

Cumulative translation adjustment - IFRS permits cumulative translation gains and losses related to net investments in foreign operations to be reset to zero as of the date of transition, rather than applying IAS 21, The Effect of Changes in Foreign Exchange Rates, retrospectively from the date a subsidiary was formed or acquired. The Company elected to reset all cumulative translation adjustments to zero in its opening retained earnings as of July 1, 2010.

Reconciliation of Canadian GAAP to IFRS

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

Reconciliation of Equity
(in thousands of dollars)

As at:		**June 30, 2011**	**September 30, 2010**	**July 1, 2010**
		$	$	$
Equity under Canadian GAAP		103,787	91,964	89,592
Differences with the Canadian GAAP decreasing reported equity:				
Business acquisition expenses	**(c)***	(328)	-	-
Contingent consideration	**(b)***	(116)	-	-
Total equity under IFRS		**103,343**	**91,964**	**89,592**

Reconciliation of Earnings
($ in thousands of dollars)

For the year to date periods ended :		**June 30, 2011 (12 months)**	**September 30, 2010 (3 months)**
		$	$
Net earnings under Canadian GAAP		12,128	2,249
Differences in GAAP decreasing reported earnings:			
Business acquisition expenses	**(c)***	(328)	-
Change in fair value of contingent consideration	**(b)***	(116)	-
Share-based compensation	**(a)***	(238)	(31)
Net earnings under IFRS		**11,446**	**2,218**

****explanations - see next page***

Reconciliation of Comprehensive Income
($ in thousands of dollars)

For the year to date periods ended:		**June 30, 2011 (12 months)**	**September 30, 2010 (3 months)**
		$	$
Comprehensive earnings under Canadian GAAP		12,128	2,249
Differences in GAAP decreasing reported comprehensive earnings			
Business acquisition expenses	**(c)***	(328)	-
Change in fair value of contingent consideration	**(b)***	(116)	
Share-based compensation	**(a)***	(238)	(31)
Comprehensive income under IFRS		**11,446**	**2,218**

explanations - see below

Changes in accounting policies

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

Share-based compensation

Under IFRS, the liability related to share-based awards that call for settlement in cash or other assets must be measured at its fair value and is to be re-measured at its fair value at the end of each reporting period. Under Canadian GAAP, the liability was measured and re-measured at each reporting date at the intrinsic values of the stock-based awards instead of at their fair values.

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

Translation gains or losses related to net investments in foreign operations

As stated above in section “IFRS 1 exemptions and exceptions,” the Company elected to reset all cumulative translation gains and losses related to investments in foreign operations to zero in opening retained earnings as at the transition date.

(a) Stock-based compensation

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

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

(b) Business combinations - Contingent consideration

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

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

(c) Business combination - Acquisition costs

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

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

(d) Statement of earnings reclassification

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

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

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

RECENT ACCOUNTING PRONOUNCEMENTS

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

IFRS 9 – Financial instruments
IFRS 9 simplifies the measurement and classification for financial assets by reducing the number of measurement categories and removing complex rule-driven embedded derivative guidance in IAS 39, Financial Instruments: Recognition and Measurement. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement. IFRS 9 is effective from periods beginning January 1, 2013 with early adoption permitted.

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

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

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

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

RECONCILIATION OF NON - IFRS FINANCIAL MEASURES

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

Non-IFRS financial measures

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

EBITDA

Reconciliation of EBITDA

(unaudited) (in thousands of dollars)	Three months ended September 30, 2011	Three months ended September 30, 2010
Net earnings for the period	3,677	2,218
Finance costs	212	60
Income tax expense	1,551	971
Amortization	2,852	1,981
EBITDA	**8,292**	**5,230**

A summary of changes from the transition to IFRS on the Company's EBITDA is presented at the end of the "Transition to IFRS" section.

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 thousands of dollars)	Three months ended September 30, 2011	Three months ended September 30, 2010
Contract revenue	**37,091**	**27,385**
Cost of contract revenue (including amortization)	28,173	21,781
Less amortization	(2,023)	(1,540)
Direct costs	26,150	20,241
Adjusted gross profit	**10,941**	**7,144**
Adjusted gross margin (%) (1)	**29.5%**	**26.1%**

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

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

The Company makes estimates, assumptions and judgments concerning the future. Actual results could differ from these estimates. The estimates, assumptions and judgments that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities with the next financial year, are presented in note 4 of the financial statement.

RISK FACTORS

The following are certain factors relating to the Company's business and the industry within which it operates. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this report and in the Company's Annual Information Form dated September 21, 2011. These risks and uncertainties are not the only ones relevant to the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems immaterial, may also impair the operations of the Company. If any such risks actually occur, the business, financial condition, liquidity and results of operations of the Company could be adversely materially affected.

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 December 8, 2011, Pierre Alexandre, the Vice-Chairman of the Company, holds or controls, directly or indirectly, approximately 28% of Orbit Garant's outstanding Common Shares. As a result, this shareholder has the ability to influence Orbit Garant's strategic direction and policies, including any merger, consolidation or sale of all or substantially all of its assets, and the election and composition of Orbit Garant's Board of Directors. The foregoing ability to affect the control and direction of Orbit Garant could reduce its attractiveness as a target for potential takeover bids and business combinations, and correspondingly affect its share price.

Future Sales of Common Shares by the Company's Existing Shareholders

Certain shareholders, including Pierre Alexandre, hold or control significant blocks of shares of the Company. The decision of any of these shareholders to sell a substantial number of Common Shares in the public market could result in a material imbalance in demand for the Company's shares and therefore a decline in the market price of the Common Shares. In addition, the perception among the public that such sales may occur could also result in a reduction in the market price of the Common Shares.

Dilution

Orbit Garant may raise additional funds in the future by issuing equity securities. Holders of Common Shares will have no pre-emptive rights in connection with such further issuances. Additional Common Shares may be issued by Orbit Garant in connection with the exercise of options granted. Such additional equity issuances could, depending on the price at which such securities are issued, substantially dilute the interests of the holders of Common Shares.

OUTLOOK

Despite continued global economic uncertainty, Orbit Garant has not experienced a decline in demand from its customers. Demand for Orbit Garant's drilling services remains strong, with 70% of the Company's capacity already booked for fiscal 2012. Management believes the mining industry outlook remains generally positive, particularly the mineral exploration industry in Canada, where approximately 80 percent of Orbit Garant's revenue is currently derived. Increasing demand for minerals from developing countries, such as Brazil, Russia, India and China, are providing the largest impetus for growth. For instance, China now has a significant impact on global demand and commodity prices. The relative lack of new mineral discoveries, shortage of labour and other supply issues affecting traditional markets are all contributing to constraints in supply. With gold prices currently at more than US$1,700 an ounce and base metals prices well above the five-year price lows experienced in late 2008 and early 2009, mining companies are able to economically exploit a greater number of mineral deposits. Further, mining companies generally have healthy balance sheets, which will allow the necessary investments to continue production and exploration programs.

Orbit Garant expects utilization rates to remain high over the next 12 months, which in turn will result in stronger pricing. Management expects the Company's margins to remain at a similar level in the first half of fiscal 2012, and improve in the second half of fiscal 2012 as productivity improvements are achieved and new contracts reflect higher pricing. However, the ability of the Company to improve margins will in part be a function of its success in managing a shortage of labour and related productivity issues. In this regard, Orbit Garant's driller and driller-helper Training Program will become increasingly important to the Company's success.

Technology improvements, a focus of the Company's acquisition of Advantage Control Technologies, will also be an important contributor to future profitability. Orbit Grant plans to add a total of 18 drills to its fleet in fiscal 2012 and advance the implementation of its computerized monitoring and control technologies. The Company's subsidiary, Soudure Royale, can build drill rigs quickly, enabling Orbit Garant to continue to meet additional capacity requirements. The Board of Directors has approved $15.0 million in capital expenditures in fiscal 2012, including the aforementioned manufacture of 18 additional drills.

With its strong balance sheet, leading position in Quebec, and growing presence in Ontario through the Company's new office in Sudbury Ontario, Management believes Orbit Garant is well positioned for growth in fiscal 2012 and beyond. As the mining industry grows, and attracts new spending, Orbit Garant intends to build on its organic growth by focusing on acquisition opportunities that further enhance stakeholder value.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for designing internal controls over financial reporting ("ICFR") or causing them to be designed under their supervision. The Company's ICFR are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its preparation of financial statements for external purposes in accordance with 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.

For the three months ended September 30, 2011, there have been no significant changes to the ICFR and no change in the assessment of the effectiveness of the Company's ICFR. Accordingly, the CEO and CFO have concluded that the design and operation were effective at a reasonable assurance level as of the end of the period covered by this report.