MANAGEMENT'S DISCUSSION AND ANALYSIS

FIRST QUARTER FISCAL 2013

(Three month period ended September 30, 2012)

FIRST QUARTER ENDED SEPTEMBER 30, 2012

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-month period ended September 30, 2012 as compared with the corresponding period of the previous year and also with the audited consolidated financial statements and MD&A contained in the Company's annual report for the fiscal year ended June 30, 2012.

The Company's first quarter of fiscal 2013 unaudited interim period condensed consolidated financial statements and the accompanying notes were prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts in this MD&A are in Canadian dollars, except when otherwise noted.

In this MD&A, references to the "Company" or to "Orbit Garant" shall mean, as the context may require, either Orbit Garant Drilling Inc., or Orbit Garant Drilling Inc., together with its wholly owned subsidiaries.

This MD&A is dated November 7, 2012. Disclosure contained in this document is current to that date unless otherwise stated.

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

Additional information relating to the Company, including the Company's Annual Information Form for the most recently completed fiscal year, can be found on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Securities laws encourage companies to disclose forward-looking information in order for investors to have a better understanding of a company's future prospects and make informed investment decisions.

This MD&A contains forward-looking statements about the Company's objectives, strategies, financial condition, results of operations, cash flows and businesses. These statements are "forward-looking" because they are based on current expectations, estimates and assumptions about the markets in which the Company operates; the world economic climate as it relates to the mining industry; the Canadian economic environment and the Company's ability to attract and retain customers and to manage its assets and operating costs.

Actual results could be materially different from expectations if known or unknown risks affect the business, or if estimates or assumptions turn out to be inaccurate. The Company does not guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place reliance on these forward-looking statements.

The Company disclaims any intention and assumes no obligation to update any forward-looking statement, even if new information becomes available, as a result of future events or for any other reasons except in accordance with applicable securities laws. Risks that could cause the Company's actual results to materially differ from its current expectations are discussed in this MD&A.

FIRST QUARTER FISCAL 2013 (Q1 FY2013) SUMMARY

- Revenue was $34.9 million in Q1 FY2013 , compared to $37.1 million in the first quarter fiscal 2012 (Q1 FY2012)
- 304,832 metres drilled, compared to 367,247 metres in Q1 FY2012
- Long-term debt reduced by $5.3 million during Q1 FY2013
- Adjusted gross margin (excluding amortization expense) of 26.8%, compared to 29.5% in Q1 FY2012
- Drilling Canada's adjusted gross margin increased to 28.8% from 21.9% in Q1 FY 2012
- EBITDA decreased to $6.3 million from $8.3 million in Q1 FY2012
- Net earnings of $2.0 million, or $0.06 per share (basic and diluted), compared to $3.7 million, or $0.11 per share (basic and diluted) in Q1 FY2012

CORPORATE OVERVIEW

From its head office in Val-d'Or, Québec, Orbit Garant, with more than 800 employees, manages a fleet of 224 drilling rigs that provide surface and underground drilling services to the mining and exploration industry in Canada and internationally.

Orbit Garant has an efficient infrastructure and is vertically integrated with its subsidiary, Soudure Royale, which manufactures drill rigs for the Company and third parties (and so provides the Company with a competitive advantage in the provision of drilling services). Orbit Garant focuses on "specialized drilling", which refers to those drilling projects that are in remote locations or, in the opinion of Management, because of the scope, complexity or technical nature of the work, cannot be completed by small conventional drilling companies.

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

For the three-month period ended September 30, 2012:

- Specialized drilling services, which typically generate a higher gross margin than conventional drilling services, accounted for approximately 63% of the Company's total revenue.
- Approximately 70% of the Company's revenues were generated by gold related operations, and approximately 30% were generated by base metal related and other operations.
- Surface and underground drilling services accounted for approximately 70% and 28%, respectively, of the Company's revenues. Orbit Garant's manufacturing subsidiary, Soudure Royale, accounted for the remaining 2% of revenue.
- Orbit Garant operates principally in stable jurisdictions, with approximately 93% of the Company's Q1 FY2013 revenues generated in Canada. The Company also operates in the USA, Mexico, Guyana (South America) and Liberia (West Africa). Approximately 97% of the Company's Q1 FY2013 revenues were in Canadian dollars, which provides a high level of currency stability.
- Approximately 77% of Orbit Garant's Q1 FY2013 revenue was generated from major and intermediate-sized mining company projects. The Company's drilling contracts with major and intermediate customers range from one to three years in length.

BUSINESS STRATEGY

Orbit Garant's goal is to be a leading Canadian-based mineral drilling company, while pursuing international opportunities, providing both underground and surface drilling for all stages of the mining and minerals business, including exploration, development and production. The Company employs the following business strategies:

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

INDUSTRY OVERVIEW

Mining companies typically outsource their drilling requirements. The contract drilling industry provides drilling services for the mining industry through all stages of mine development from exploration through production. Mineral drilling companies typically service three types of customers: majors (or senior), intermediates, and junior exploration companies. Demand for drilling services is driven by conditions in the global markets for ferrous (iron) and non-ferrous (precious and base metals) metals. The strength of demand is determined primarily by metals prices and the availability of capital for mining industry companies to finance exploration and development programs, and/or ongoing mining operations. In 2012, junior exploration companies have encountered difficulties in raising capital.

Gold

With the current uncertainty in global economic conditions and financial markets, gold has once again emerged as a safe haven for capital. Further, increasing affluence in rapidly developing countries, such as China and India, has created greater demand for luxury goods, including gold jewellery. At the time of this report, the spot price for gold was more than US$1,650 an ounce, which is positive for Orbit Garant, as approximately 70% of its revenue is currently derived from gold related drilling projects.

Despite the substantial increase in the price of gold over the last decade, annual global gold production has only recently surpassed former peak production levels attained in 2001, indicating that mine supply growth has been an industry challenge. With a lack of significant new discoveries and declining production at existing mines, many gold producers are focused on developing new projects or expanding existing deposits in efforts to replace or replenish reserves.

Base metals

Base metals' price performance generally reflects global economic conditions, as these metals are used primarily in infrastructure, industrial and manufacturing applications. Demand from emerging markets, particularly China and India, has a major influence on base metals markets. Prices for aluminum, copper, lead, nickel and zinc – the primary industrial metals – have been volatile over the past year, reflecting global economic uncertainties, but remain above their respective five-year price lows and above average costs of production.

Iron ore

Iron ore prices are determined by the global demand for steel, as more than 95% of mined iron ore is used to make steel. Prices for iron ore have been extremely volatile over the past year. Between June and September, 2012, spot prices for iron ore declined from approximately US$140 a tonne to below US$90 a tonne. At the time of this report, spot prices for iron ore had recovered to approximately US$100 per tonne. This volatility resulted primarily from decreasing demand in China, the world's largest consumer of iron ore. While current spot prices for iron ore are well below the record spot price levels of over US$190 a tonne in February 2011, they remain well above the five-year price lows.

Market participants

The calendar year 2012 has been more challenging for intermediates and juniors to raise capital, which has resulted in budget restraints and scaled back exploration and development programs. Rising costs of mineral production are also causing mining companies to review exploration and capital budgets.

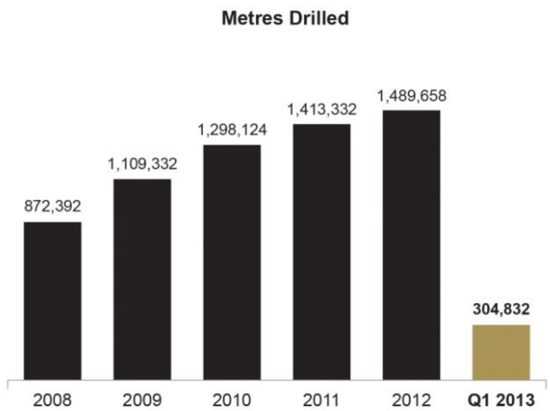
OVERALL PERFORMANCE

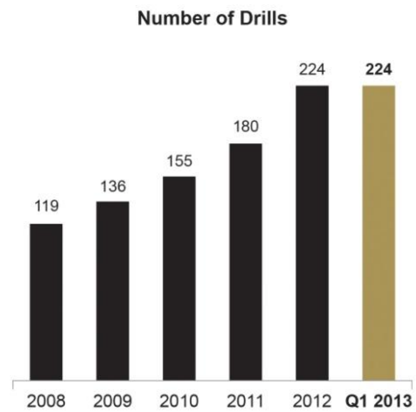
Results of operations first quarter ended September 30, 2012

FIRST QUARTER ENDED SEPTEMBER 30 * ($millions)	Fiscal 2013 Quarter 1	Fiscal 2012 Quarter 1	2013 vs. 2012 Variation	Variation (%)
Revenue *	**34.9**	37.1	**(2.2)**	**(5.9)**
Gross profit *	**6.9**	8.9	**(2.0)**	**(22.3)**
Gross margin (%)	**19.8**	24.0		**(4.2)**
Adjusted gross margin (%) (1)	**26.8**	29.5		**(2.7)**
EBITDA * (2)	**6.3**	8.3	**(2.0)**	**(24.2)**
Metres drilled	**304,832**	367,247	**(62,415)**	**(17.0)**
Net earnings *	**2.0**	3.7	**(1.7)**	**(44.5)**
Net earnings per common shares - Basic ($)	**0.06**	0.11		
- Diluted ($)	**0.06**	0.11		

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

During Q1 FY2013, Orbit Garant drilled 304,832 metres, a 17.0% decrease from 367,247 metres drilled during Q1 FY2012. The size of the Company's drilling fleet remained stable with 224 drill rigs at the end of Q1 FY2013.





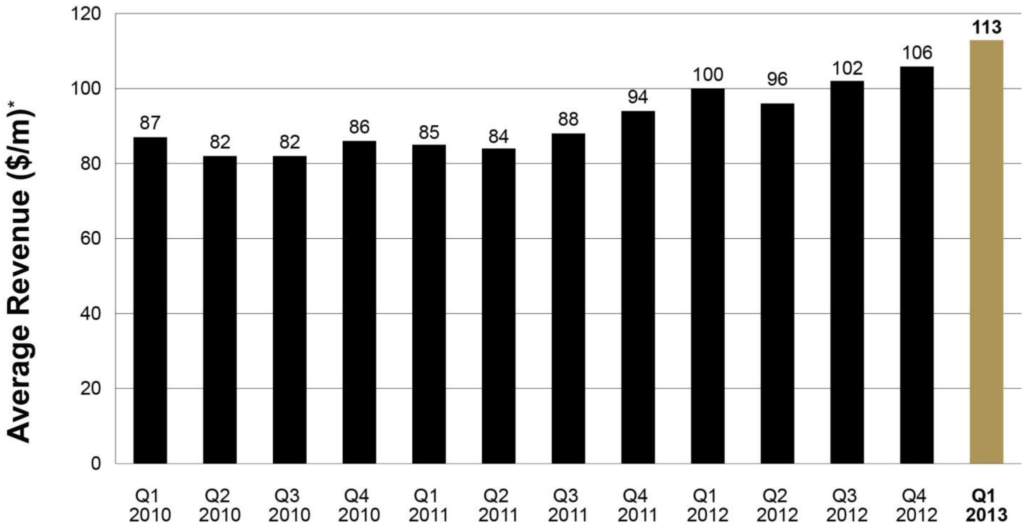
ANALYSIS OF THE FIRST QUARTER OF FISCAL 2013 COMPARED TO THE FIRST QUARTER OF FISCAL 2012

Contract revenue **Segmented Information** * ($ millions)	**Three months ended**					
	September 30, 2012			**September 30, 2011**		
	Revenue ($)	**Gross profit ($)**	**Gross margin (%)**	**Revenue ($)**	**Gross profit ($)**	**Gross margin (%)**
Drilling Canada *	32.3	7.2	22.3	30.9	5.0	16.1
Drilling International *	2.6	(0.3)	(10.3)	6.2	3.9	63.7
	34.9	6.9	19.8	37.1	8.9	24.0

Contract revenue

Revenue for Q1 FY2013 totaled $34.9 million, a decrease of $2.2 million, or 5.9%, compared to the quarter ended September 30, 2011 ("Q1 FY2012"). The decrease was primarily attributable to a decline in metres drilled, and lower international drilling activity, partially offset by higher average revenue per metre drilled in the quarter.

Orbit Garant drilled 304,832 metres in Q1 FY2013, down from 367,247 metres drilled in Q1 FY2012. The Company's average revenue per metre drilled in Q1 FY2013 was $112.90 compared to $99.52 in Q1 FY2012.



* Figures are rounded to the nearest dollar.

Drilling Canada revenue was $32.3 million in Q1 FY2013, compared to $30.9 million in Q1 FY2012, representing an increase of $1.4 million, or 4.6%, reflecting higher revenue per metre drilled.

Drilling International revenue was $2.6 million in Q1 FY2013, compared to $6.2 million in Q1 FY2012, a decrease of $3.6 million, or 58.2%, primarily due to lower demand for drilling services.

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

Gross profit for Q1 FY2013 decreased to $6.9 million from $8.9 million in Q1 FY2012. Gross margin for Q1 FY2013 decreased to 19.8% from 24.0% in the first quarter a year ago. In accordance with IFRS, amortization expenses totalling $2.4 million are included in cost of contract revenue for Q1 FY2013, compared to $2.0 million for Q1 FY2012. Adjusted gross margin, excluding amortization expenses, decreased to 26.8% in Q1 FY2013, from 29.5% in Q1 FY2012. Despite increased domestic gross profit and gross margin, the decline in higher margin international business activity from the Company's junior mining company customers had a negative effect on consolidated gross profit and gross margin.

General and administrative expenses

General and administrative (G&A) expenses increased to $3.8 million (10.8% of revenue) in Q1 FY2013, compared to $3.6 million (9.6% of revenue) in Q1 FY2012. In accordance with IFRS, amortization expenses of $0.7 million are included in G&A expenses for Q1 FY2013, compared to $0.8 million for Q1 FY2012. Adjusted G&A expenses, excluding amortization expenses, totalled $3.1 million (8.7% of revenue) for Q1 FY2013, compared to $2.8 million (7.4% of revenue) for Q1 FY2012. Higher G&A expenses in Q1 FY2013 resulted primarily from the acquisition of Lantech Drilling in Q2 FY2012.

EBITDA (see Reconciliation of non-IFRS measures)

EBITDA totalled $6.3 million (17.9% of revenue) in the first quarter of fiscal 2013, compared to $8.3 million (22.3% of revenue) in the first quarter a year ago, a decrease of $2.0 million, or 24.2%. The decline is primarily attributable to decreased international drilling activity in the quarter.

Financial expenses

Interest costs related to long-term debt and bank charges were $0.3 million in Q1 FY2013, compared to $0.2 million in Q1 FY2012.

Income taxes

Income taxes were $0.8 million for Q1 FY2013, compared to $1.5 million in the first quarter of fiscal 2012.

Net earnings

Net earnings in Q1 FY2013 totalled $2.0 million, or $0.06 per common share (basic and diluted), compared to $3.7 million, or $0.11 per common share (basic and diluted) in Q1 FY2012. The decline in net earnings resulted primarily from decreased international drilling activity.

SUMMARY OF QUARTERLY RESULTS (1)

* ($millions)		Fiscal 2013	Fiscal 2012				Fiscal 2011		
		Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31
Contract revenue *		**34.9**	43.6	41.7	32.4	37.1	41.0	33.4	25.9
Gross profit *		**6.9**	7.7	10.0	7.1	8.9	10.1	6.8	5.9
Gross margin %		**19.8**	17.7	23.9	21.7	24.0	24.7	20.4	22.9
Adjusted Gross margin % (2)		**26.8**	22.6	29.4	28.3	29.5	29.2	25.7	29.1
Net earnings *		**2.0**	1.3	3.5	1.9	3.7	4.6	2.3	2.3
EBITDA (3) *		**6.3**	5.5	8.3	5.8	8.3	9.3	6.0	5.4
Net earnings per common share ($)	- Basic	**0.06**	0.04	0.10	0.06	0.11	0.14	0.07	0.07
	-Diluted	**0.06**	0.04	0.10	0.05	0.11	0.13	0.07	0.07

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

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

Cash flow from operations, before non-cash operating working capital items, was $6.5 million during Q1 FY2013, compared to $8.4 million in Q1 FY2012.

The change in non-cash operating working capital items was an inflow of $3.6 million for the quarter compared to an outflow of $7.1 million for the same period last year. The inflow in non-cash operating working capital in the quarter ended September 30, 2012 resulted primarily from a decrease in accounts receivable of $4.2 million.

Investing activities

Cash used in investing activities totalled $3.8 million in Q1 FY2013, compared to $5.4 million in Q1 FY2012. During Q1 FY2013, $3.9 million was used for the acquisition of property, plant and equipment, partially offset by cash of $0.1 million on disposition of property, plant and equipment. This compares with $6.7 million for the acquisition of property, plant and equipment and cash of $0.5 million on disposition of a property, plant and equipment during Q1 FY2012.

Financing activities

Cash outflow from financing activities was $5.3 million for Q1 FY2013. In Q1 FY2012 cash flow from financing activities generated $6.0 million. During Q1 FY2013, the Company repaid a net of $5.3 million on its $40.0 million revolving Credit Facility. As at September 30, 2012, the Company's long-term debt, including the current portion, was $21.1 million. The debt was used to support the acquisition of Lantech Drilling in the second quarter of fiscal 2012, and for the acquisition of other capital assets, including property, plant and equipment.

As at September 30, 2012, the Company's working capital was $56.6 million, compared to $60.3 million as at June 30, 2012. The Company's working capital requirements are primarily to fund inventory acquisition and to support account receivables.

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

Source of Financing

The Company's primary sources of liquidity are from operations and borrowings under a credit agreement between the Company and National Bank of Canada Inc. (the "Credit Agreement") and also equity financing. On May 27, 2011, Orbit Garant obtained a $40.0 million secured, four-year revolving credit facility (the "Credit Facility"). Orbit Garant and its lenders have the option to increase the funds available under the Credit Facility up to a total of $60.0 million, subject to certain conditions. The Credit Facility will be used to fund working capital requirements and provide further flexibility to the Company's long-term acquisition program. This Credit Facility matures no later than May 27, 2015. As of September 30, 2012 the Company had drawn $20.4 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 NOVEMBER 7, 2012

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

SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Company's unaudited interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). The IFRS accounting policies that are set out in the Company's consolidated financial statements for the year ended June 30, 2012 were consistently applied to all periods presented. Please refer to Note 3 in the Company's consolidated financial statements for the year ended June 30, 2012 for a complete description of the Company's significant accounting policies.

The preparation of financial statements in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in Note 4 in the Company's consolidated financial statements for the year ended June 30, 2012, and remained unchanged for the three-month period ended September 30, 2012.

These unaudited interim condensed consolidated financial statements were approved for issue by the Board of Directors of Orbit Garant Drilling Inc. on November 7, 2012.

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

These unaudited interim condensed consolidated financial statements are intended to provide an update on the Company's 2012 annual financial statements. Accordingly, they do not include all the information required for annual financial statements and should be read in conjunction with the Company's 2012 annual audited financial statements.

Principles of consolidation

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

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

RECENT ACCOUNTING PRONOUNCEMENTS

The Company has not early adopted the following new accounting standards and accordingly, the adoption impact of these new standards on the consolidated financial statements, have not yet been determined:

IFRS 7 -Financial instruments - Disclosure, and IAS 32 - Financial instruments - Presentation
IFRS 7 and IAS 32 were amended to include obligations of qualitative and quantitative information related to gross and net amounts recognized in the Financial statements that; a) are subject to an offset in the Statement of financial position and b) are subject to a master netting agreement or similar agreement enforceable even if they are not netted in the Statement of financial position. Amended IFRS 7 and amended IAS 32 are applicable for periods beginning on or after January 1, 2013 and the disclosures must be presented retrospectively.

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

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

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

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

IFRS 13 – Fair value measurements
IFRS 13 defines 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.

IAS 19 - Employee benefits
ISA 19 was amended to eliminate the application of the so-called "corridor" method has the effect of deferring the recognition of gains and losses, to simplify the presentation of changes in assets and liabilities arising from defined benefit plans and improve disclosures for defined benefit plans. IAS 19 amended is effective for periods beginning on, or after January 1, 2013 with early adoption permitted.

IAS 27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures
IAS 27 and IAS 28 were amended and renamed to be consistent with the publication of IFRS 10, IFRS 11 and IFRS 12. IAS 27 amended and IAS 28 amended are applicable for periods beginning on or after January 1, 2013 with early adoption permitted of the entity early adopts also IFRS 10, IFRS 11 and IFRS 12.

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 costs. Operating expenses comprise material and service expenses, personnel expenses, other operating expenses, excluding amortization.

EBITDA

Reconciliation of EBITDA

(unaudited) in millions of dollars	Three months ended September 30, 2012	Three months ended September 30, 2011
Net earnings for the period	**2.0**	3.7
Finance costs	**0.3**	0.2
Income tax expense	**0.8**	1.5
Amortization	**3.2**	2.9
EBITDA	**6.3**	8.3

Adjusted gross margin

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

(unaudited) (in millions of dollars)	Three months ended September 30, 2012	Three months ended September 30, 2011
Contract revenue	**34.9**	37.1
Cost of contract revenue (including amortization)	**27.9**	28.2
Less amortization	**(2.4)**	(2.0)
Direct costs	**25.5**	26.2
Adjusted gross profit	**9.4**	10.9
Adjusted gross margin (%) (1)	**26.8**	29.5

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

RISK FACTORS

The following are certain factors relating to the Company's business and the industry within which it operates. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this report and in the Company's Annual Information Form dated September 19, 2012. These risks and uncertainties are not the only ones relevant to the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems immaterial, may also impair the operations of the Company. If any such risks actually occur, the business, financial condition, liquidity and results of operations of the Company could be materially, adversely affected.

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 November 7, 2012, Pierre Alexandre, the Vice-Chairman of the Company and Vice-President of Corporate Development, 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

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

With gold prices currently more than US$1,650 per ounce, and base metals and iron ore prices remaining above their respective five-year price lows and above cost of production, mining companies are able to exploit a greater number of mineral deposits. Senior and intermediate mining companies generally have healthy balance sheets and access to capital, which should allow the necessary investments to continue exploration and development programs. Approximately 77% of Orbit Garant's revenues are currently derived from senior and intermediate mining companies. Difficulties for junior exploration companies to access capital in 2012 may continue to have a negative impact to Orbit Garant's utilization rates and gross margins in the near term. Orbit Garant currently has approximately 70% of its drilling capacity booked for fiscal 2013.

In fiscal 2013, Management will strive to enhance stakeholder value by focusing on optimizing capacity utilization, increasing productivity and continuing to build upon the Company's strong health and safety standards. Management believes the Company's computerized monitoring and control drilling technology will be an important contributor towards reducing both the labour and consumable component costs of mineral drilling, enhancing driller productivity rates and improving safety. The Company expects to have at least 30 drill rigs featuring its computerized monitoring and control technology by the end of fiscal 2013. The Board of Directors has approved a budget of $11.0 million for capital expenditures in fiscal 2013. The Company will continue to monitor market conditions closely and manage its capital expenditures and balance sheet accordingly.

With a strong balance sheet, leading position in Quebec, growing presence in Ontario, and new operations in New Brunswick and West Africa, Management believes Orbit Garant is well positioned to pursue growth opportunities in Canada and internationally.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

Other than the restrictions mentioned above, there have been no significant changes to the ICFR and no change in the assessment of the effectiveness of the Company's ICFR during the period beginning July 1, 2012 and ending September 30, 2012. 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.