MANAGEMENT'S DISCUSSION AND ANALYSIS SECOND QUARTER FISCAL 2011 ENDED DECEMBER 31, 2010

Management's 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 consolidated financial statements for the three and six month periods ended December 31, 2010 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, 2010.

The unaudited 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.The interim consolidated financial statements conform in all respects to the requirements of Canadian generally accepted accounting principles (GAAP) for annual financial statements, with the exception of certain note disclosures. All amounts in this MD&A are in Canadian dollars, except where 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 subsidiary.

This MD&A is dated February 9, 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 financial 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.

SECOND QUARTER FISCAL 2011 HIGHLIGHTS

- Total revenue of $25.9 million, compared to $23.7 million in the comparable quarter of fiscal 2010, an increase of 9.4%;
- Total meters drilled of 297,704 completed in the second quarter, up 3.4% from 287,861 in Q2 of fiscal 2010;
- An expanding fleet of 168 drill rigs, including 4 new drills from the manufacturing division and 5 acquired in the Morris Drilling Inc. acquisition;
- An increase in working capital to $40.5 million as of December 31, 2010;
- Capital expenditures of $ 4.1 million to sustain growing activity;
- Two strategic acquisitions and one strategic partnership in Northern Ontario.

CORPORATE OVERVIEW

From its head office in Val-d'Or, Quebec, Orbit Garant manages a fleet of 168 drilling rigs that is used to service the mining industry in Canada and internationally. The Company has a low cost 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.

On November 8, 2010 the company acquired all issued and outstanding shares of 1085820 Ontario Limited (Advantage Control Technologies) based in Sudbury Ontario; specialized in the development of new technologies for mineral drilling in Canada. In association with the transaction Orbit Garant entered into a strategic partnership with Rainy Lake Tribal Contracting Ltd., a well established contractor.

On December 13, 2010, the company acquired all issued and outstanding shares of Morris Drilling Inc., a surface diamond drilling business in Canada.

The results of operations of 1085820 Ontario Limited (Advantage Control Technologies) and Morris Drilling Inc. are included from November 8, 2010 and December 13, 2010 respectively, in manufacturing and domestic surface drilling revenues in this second quarter fiscal 2011.

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

Specialized drilling services, which generate a higher gross margin than typical 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 59% and 41% of the Company's revenues, respectively.

Approximately 74% of the Company's revenues are generated by gold related operations, while approximately 26% are generated by base metal related and other operations.

Orbit Garant operates in stable jurisdictions, with approximately 88% of the Company's revenues generated in Canada. The Company also operates in the USA, Mexico, Suriname and Guyana. Approximately 93% of the revenue is in Canadian dollars, which provides greater stability.

Approximately 63% 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

The Company's goal is to be one of the largest Canadian-based drilling companies, providing both underground and surface drilling for all stages of the mining and minerals business, including exploration, development and production, employing 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 ensure 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 clients; and
- Expanding its bases of operations in strategic regions, such as the current development of a new operating base in Sudbury, Ontario.

Industry Overview

Global markets continued to recuperate in the second half of 2010. Although there remains uncertainty in the recovery and the state of financial markets, commodity markets demonstrated an upward trend through 2010.

Demand for drilling services depends directly on the level of activity of mining companies for programs of exploration, development and/or mining operations. In turn these depend on general demand and supply factors for specific commodities and also the availability of financing for these activities.

Metals Economics Group, which monitors and tracks trends in mining, found that confidence levels within the industry are high, with the majority of people believing demand will continue to rise, along with sustained high prices for metals and minerals.

Gold

As a safe-haven, gold remained strong throughout the recession. Although markets have experienced bouts of profit-taking and US dollar strength, gold has maintained its strength through 2010. According to a report published by PricewaterhouseCoopers LLP, *2010 Global Gold Price Survey Report*, 82 percent of gold producers are forecasting their production levels to increase in 2011, and nearly 75 percent of gold mining companies expect the price of gold to continue to rise until Q4 2011.

Many gold producers plan on using their cash reserves to look for new projects or expand existing deposits in efforts to replace or replenish reserves. As gold companies focus on exploration, demand for drilling and drilling services should continue to rise.

Base Metals

Base metals have rallied on improving global demand, supply disruptions and heightened investor interest.

Copper, a strong indicator for base metals, has maintained its strength since the market began its recovery, supported by strong Chinese demand, supply disruptions and increasing demand from other developing countries. Although the market balance has tightened over the past year, it continues to be favorable and prices are expected to remain robust assuming sustained global economic growth.

Market Participants

With improved commodity prices since the market bottom in early 2009, the mining industry has become increasingly healthy. Intermediate and junior companies, which were conserving cash through the recession, increased their exploration budgets in 2010 and the spending trend has continued into early 2011.

According to Metals Economics Group, Canada has been the second largest focus of exploration spending, second only to the US, for the past nine years. Canada attracted $2.2 billion or 19% of worldwide nonferrous exploration allocations in 2010, spending that is expected to continue into the current year.

Of that spending, four provinces (Ontario, Quebec, Saskatchewan, and British Columbia) accounted for more than three-quarters of Canadian exploration spending last year. With the vast majority of spending in these jurisdictions, Orbit Garant's strong position in Quebec and expansion into Ontario should position it well for future opportunities. . As Canada continues to attract new spending and the mining industry grows, Orbit Garant intends to further its expansion in these target regions through its demonstrated organic and acquisition growth strategies.

Outlook

Looking forward, the mining industry outlook remains positive, with improving demand from developing countries providing the largest impetus to demand. China in particular, with its ability to influence demand, has a significant impact on global demand and commodity prices. While demand from the developing world is pointing to positive signs, the lack of new discoveries, shortage of labour and other supply issues affecting traditional supply markets are all contributing to positive long-term fundamentals. In addition to the demand/supply balance, mining companies generally have healthier balance sheets, contributing to the ramp-up of production and exploration programs.

With a positive industry outlook, Orbit Garant also continues to position itself for competitive success. This has paid off, with demand for drills significantly improved over the second half of 2010 and into 2011. Management believes the Company will continue its growth in 2011 and beyond, with its strong balance sheet, its leading position in Quebec and its growing presence in Ontario through the new office in Sudbury, Ontario.

OVERALL PERFORMANCE
RESULTS OF OPERATION – SECOND QUARTER ENDED DECEMBER 31, 2010

SECOND QUARTER ENDED December 31, 2010 * ($ millions)	Fiscal 2011 Quarter 2	Fiscal 2010 Quarter 2	2011 vs. 2010 Variation ($)	Variation (%)
Revenue * ($)	25.9	23.7	2.2	9.4
Gross profit * ($)	7.5	7.6	(0.1)	(0.3)
Gross margin (%)	29.1	32.0	(2.9)	(2.8)
EBITDA * ($) (1)	5.8	6.0	(0.2)	(3.4)
Meters drilled	297,704	287,861	9,843	3.4
Net earnings * ($)	2.7	2.4	0.3	12.4
Net earnings per common shares - Basic ($)	0.08	0.07		
-Diluted ($)	0.08	0.07		

(1) EBITDA = Earnings before interest, taxes, depreciation and amortization. (See "Supplemental Disclosure")

REVENUES

THREE MONTHS ENDED DECEMBER 31, 2010 COMPARED TO THREE MONTHS ENDED DECEMBER 31, 2009

CONTRACT REVENUE	Three months ended December 31, 2010			Three months ended December 31, 2009		
Segmented information *($ millions)	Revenue ($)	Gross profit ($)	Gross margin (%)	Revenue ($)	Gross profit ($)	Gross margin (%)
Drilling Canada *	21.3	5.3	24.9	21.2	7.0	32.9
Drilling International *	3.6	2.0	54.5	2.4	0.5	22.9
Manufacturing Canada *	1.0	0.2	27.3	0.1	0.1	84.3
	25.9	7.5	29.1	23.7	7.6	32.0

The Company continued to increase its growth by increasing the number of meters drilled to 297,704 and by the addition of 9 new drilling rigs during the quarter from which 4 were manufactured by Soudure Royale and 5 were added from the acquisition of Morris Drilling Inc.

During the three month period ended December 31, 2010, the Company recorded contract revenue of $25.9 million, compared to $23.7 million in fiscal 2010, representing an increase of $2.2 million, or 9.4%. The average revenue per meter was $83.69 in Q2 fiscal 2011, compared to $81.96 for the same period in fiscal 2010. This positive increase in revenue per meter is related to international drilling pricing importance.

Domestic surface drilling contract revenue increased to $10.2 million in the second quarter of fiscal 2011, compared to $9.1 million in fiscal 2010, representing an increase of $1.1 million, or 12.8%.

Underground drilling contract revenue decreased to $11.1 million in the second quarter of 2011, compared to $12.1 million in the second quarter of fiscal 2010, a decrease of 8.9%, a result of the competitive pricing environment.

International drilling contract revenue increased to $3.6 million in the second quarter of 2011 from $2.4 million for the same period in fiscal 2010. The increase of $1.2 million can be attributed to the increase of meter drilled from actual contracts.

Manufacturing Canada generated $1.0 million of revenue for Q2 2011, compared to negligible revenue in Q2 2010. During the second quarter of 2011. Soudure Royale continued to build equipment and supplies for the Company to support organic growth and its production capacity.

GROSS MARGIN

Overall gross profit in the second quarter of fiscal 2011 was $7.5 million, compared to $7.6 million in the comparable quarter of fiscal 2010, a decrease of $0.1 million or 0.3%. The second quarter of 2010 included, a positive adjustment of $0.8 million from the Commission de la Santé et Sécurité au Travail (C.S.S.T). Gross margin for the second quarter of fiscal 2011 was 29.1% compared to 32.0% for the same period fiscal 2010 (or 28.6% excluding C.S.S.T. adjustment).

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses were $1.8 million in the second quarter of 2011, compared to $1.6 million in the comparable period in 2010.

Administration expenses represented 6.9% of sales during Q2 2011, compared to 6.8% for the same period in fiscal 2010.

AMORTIZATION

Amortization of property, plant and equipment was $1.7 million in the second quarter of fiscal 2011, compared to $1.3 million in the same period in fiscal 2010, a result of the acquisition of new drills and equipment.

Amortization of intangible assets was $0.2 million in the second quarter of fiscal 2011, compared to $1.1 million in the comparable quarter in fiscal 2010 as some intangible assets were fully amortized.

INCOME TAXES

Income taxes were $1.1 million in the second quarter of fiscal 2011, compared to $1.2 million in the second quarter of fiscal 2010.

NET EARNINGS

Net earnings in the second quarter fiscal 2011 totalled $2.7 million, or $0.08 per common share ($0.08 per share diluted), compared to $2.4 million in the comparable period the previous year, or $0.07 per common share ($0.07 per share diluted), representing an increase of 12.4% on a year-over-year basis.

EBITDA (see SUPPLEMENTAL DISCLOSURE)

EBITDA was at $5.8 million in the second quarter of 2011, compared to $6.0 million in the same period of the prior year, a decrease of $0.2 million, or 3.4%, the result of a decrease in the gross margin attributable to the impact of the long term contracts signed earlier and which will become due for renewal in the future. EBITDA in the second quarter of fiscal 2011 represents 22.5% of sales, compared to 25.4% in the previous year.

OVERALL PERFORMANCE

RESULTS OF OPERATION:

SIX MONTHS ENDED DECEMBER 31, 2010 COMPARED TO SIX MONTHS ENDED DECEMBER 31, 2009

SIX MONTHS ENDED DECEMBER 31 * ($ millions)	2010	2009	Variation	Variation (%)
Revenue * ($)	53.3	48.1	5.2	10.8
Gross profit * ($)	14.6	15.6	(1.0)	(5.8)
Gross margin (%)	27.6	32.4	(4.8)	(4.8)
EBITDA * ($) (1)	11.1	12.2	(1.1)	(9.5)
Meters drilled	618,663	566,835	51,828	9.1
Net earnings * ($)	4.9	4.9	-	0.8
Net earnings per common shares - Basic ($)	0.15	0.15		
-Diluted ($)	0.15	0.15		

(1) EBITDA = Earnings before interest, taxes, depreciation and amortization. (See "Supplemental Disclosure")

REVENUES

RESULTS OF OPERATIONS – SIX MONTHS ENDED DECEMBER 31, 2010

CONTRACT REVENUE Segmented Information * ($ millions)	Six months ended					
	December 31, 2010			December 31, 2009		
	Revenue ($)	Gross profit ($)	Gross margin (%)	Revenue ($)	Gross profit ($)	Gross margin (%)
Drilling Canada *	46.1	11.0	23.8	43.9	14.3	32.5
Drilling International *	6.1	3.3	54.8	4.1	1.2	30.2
Manufacturing Canada *	1.1	0.3	32.8	0.1	0.1	76.3
	53.3	**14.6**	**27.6**	**48.1**	**15.6**	**32.4**

Revenues totalled $53.3 million for the six month period ended December 31, 2010 an increase of $5.2 million or 10.8% from $48.1 million during the comparable period last year.

Drilling Canada revenues were $46.1 million, an increase of $2.2 million or 5.0% compared to $43.9 million for the same period last year, due to the increase of the demand for drilling services.

Drilling International revenues were $6.1 million compared to $4.1 million in the comparable period, an increase of $2.0 million, or 47.5%.

Manufacturing Canada revenues were $1.1 million, an increase of $1.0 million from the comparable period attributable to the increase in the demand for new drills.

GROSS MARGIN

Overall gross profit for the first six months of fiscal 2011 was $14.6 million, a decrease of $1.0 million from $15.6 million in the comparable period of 2010, or 5.8%. Gross margin for the first half of the 2011 fiscal year was 27.6% compared to 32.4% for the corresponding period last year, (30.8% excluding the Q2 adjustment noted above), as a result of the competitive pricing environment and the mobilizing costs to accommodate present growth.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses were $3.7 million in the six month period ended December 31, 2010 compared to $3.4 million for the same period last year.

Administrative expenses represented 7.0% of sales during the first six months of fiscal 2011, compared to 7.1% for the same period in fiscal 2010.

AMORTIZATION

Amortization of capital assets was $3.3 million in the first half of fiscal 2011 compared to $2.5 million for the corresponding period in fiscal 2010 as a result of investment in equipment.

Amortization of intangible assets was $0.6 million for the first six months of fiscal 2011 compared to $2.2 million for the first six months of 2010 as some intangible assets were fully amortized.

FINANCIAL EXPENSES

Interest costs related long-term debt and bank charges were $0.2 million in the first half of fiscal 2011, in line with the comparable period fiscal 2010.

INCOME TAXES

Income taxes were $2.1 million in the first six months of fiscal 2011 compared to $2.4 million for the same period last year.

NET EARNINGS

Net earnings in the first half of the 2011 fiscal year, was $4.9 million or $0.15 per share ($0.15 per diluted share) in line with $4.9 million or $0.15 per share ($0.15 per diluted share) for the corresponding period last fiscal year.

EBITDA (see SUPPLEMENTAL DISCLOSURE)

EBITDA was at $11.1 million in the first half of fiscal year 2011, compared to $12.2 million in the same period of the prior year, a decrease of $1.1 million, or 9.5%. EBITDA in the first half of fiscal 2011 represents 20.8% of sales, compared to 25.5% in the corresponding period last fiscal year.

SUMMARY OF QUARTERLY RESULTS

* ($ millions)		Fiscal 2011		Fiscal 2010				Fiscal 2009	
		Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Contract revenue * ($)		25.9	27.4	33.1	28.8	23.7	24.4	28.3	27.7
Gross profit * ($)		7.5	7.1	9.1	8.9	7.6	8.0	10.7	9.2
Gross margin %		29.1	26.1	27.6	31.0	32.0	32.8	37.9	33.2
Net earnings * ($)		2.7	2.2	4.0	3.7	2.4	2.5	3.6	3.2
EBITDA (1) * ($)		5.8	5.3	7.8	7.9	6.0	6.2	7.8	7.3
Net earnings per Common shares ($)	– Basic	0.8	0.07	0.12	0.11	0.07	0.08	0.11	0.10
	– Diluted	0.8	0.07	0.12	0.11	0.07	0.08	0.10	0.10

(1) EBITDA = Earnings before interest, taxes, depreciation and amortization. (See "Supplemental Disclosure")

The increase of meters drilled has a direct result on the performance of the Company. The second quarter is affected by the shutdown of mining and exploration activities, often for extended periods over the holiday season.

Orbit Garant continues to add new drill rigs to an expanding fleet totalling 168 drills at December 31, 2010.

LIQUIDITY AND CAPITAL RESOURCES

OPERATING ACTIVITIES

Cash flow from operations before non cash operating working capital items was $4.7million in the second quarter of fiscal 2011, compared to $4.5 million in the second quarter of fiscal 2010.

INVESTING ACTIVITIES

Cash used in investing activities was $9.9 million for the three months ended December 31, 2010, compared to $2.3 million in the second quarter of fiscal 2010. During the second quarter of fiscal 2011, $6.2 million was applied to business acquisition and $4.1 million was used for the acquisition of property, plant and equipment, including new rigs and support equipment. This compares with $2.3 million for the acquisition of new rigs and support equipment for the same period in fiscal 2010.

FINANCING ACTIVITIES

Cash flow generated from financing activities was $7.4 million for the three months ended December 31, 2010. The company entered into an additional long term loan of $6.1 million to support the acquisition of Advantage Control Technologies and Morris Drilling Inc. During the same period of the previous year, the cash flow from financing activities showed outflow of $0.1 million, which was used to repay the long-term debt of $7.4 million.

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 ground equipment

SOURCE OF FINANCING

The Company's primary sources of liquidity are from operations and borrowings under restated credit agreement between the Company and National Bank of Canada Inc. dated December 1, 2009 (the "Credit Agreement") and also equity financing.

The Company has historically used cash from operations to maintain its existing drills and fund the building or purchase of new rigs to expand capacity and for other working capital requirements. Pursuant to the Credit Agreement, the Company currently has an operating facility of up to $7.0 million to manage working capital requirements throughout the year, which was renewable on November 30, 2010. The Company obtained an extension until May 31, 2011, as it is in the process of finalizing a new credit facility agreement.

Under the terms of the Credit Agreement, the Company also has a revolving, reducing four-year long-term debt facility of a maximum amount of $12,857,140 and a revolving, reducing four-year term capital expenditure facility for a maximum amount of $3,0 million. Both facilities mature no later than June 2012.

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

As at December 31, 2010, the Company had future contractual obligations as follows:

	Total ($)	Less than 1 year ($)	2-3 years ($)	4-5 years ($)
Bank loan	1,400,000	1,400,000	—	—
Long-term debt	6,435,935	206,757	$6,229,178	—
Operating leases	985,745	216,852	$412,747	$356,146
Client deposits	619,096	619,096	—	—
Other long-term obligations	—	—	—	—
Total	**9,440,776**	**2,442,705**	**$6,641,925**	**$356,146**

OUTSTANDING SECURITIES AS OF FEBRUARY 9, 2011

Number of shares	33,044,437
Number of options	2,263,000
Fully diluted	35,307,437

SUBSEQUENT EVENT

On February 1, 2011, the Company disposed of its investment in 6483976 Canada Inc. (Usinage X-SPEC) for a consideration of $898,000, plus an amount corresponding to 40% of the increase of retained earnings during the period between February 1, 2010 and January 31, 2011. The consideration of $548,000 was received on February 1, 2011 and the balance will be received no later than September 2011.

BUSINESS ACQUISITION

Acquisition of 1085820 Ontario Limited (Advantage Control Technologies)

On November 8, 2010, the company acquired all issued and outstanding shares of 1085820 Ontario Limited (specialized in the development of new technologies for mineral drilling in Canada) for a total net consideration of $3,585,481 (excluding acquisition costs) payable for a cash consideration of $2,935,000 and $650,481 through the issuance of 132,743 common shares of the company. Furthermore, the company will pay an estimated cash consideration of $528,232 as compensation of the net working capital of the company on the acquisition date and an estimated amount of $131,390 for acquisition costs. The account payable as compensation of the net working capital does not bear interest and will be paid ten days after the deliverance of the financial statements of 1085820 Ontario Limited. An estimated amount of $3,141,923 has been accounted for as goodwill and management will finalize the purchase price allocation in order to determine the amount to be accounted for as goodwill and intangible assets.

Further to this transaction, the company has also acquired some equipment related to this business for an amount of $375,000 payable in cash.

The purchase price of 1085820 Ontario Inc is subject to an adjustment of an amount up to $2,400,000 calculated on the achievement of specified earnings levels over the periods ended November 8, 2011, 2012 and 2013. When the specified earnings are achieved, a payable amount will be accounted for as an increase of goodwill of intangible assets.

Acquisition of Morris Drilling Inc.

On December 13, 2010, the company acquired all issued and outstanding shares of Morris Drilling Inc. (doing a surface diamond drilling business in Canada) for a total net consideration of $3,456,292 (excluding acquisition costs) payable for a cash consideration of $2,625,000 and $831,292 through the issuance of 173,010 common shares of the company. Furthermore, the company will receive an estimated cash consideration of $13,147 as compensation of the net working capital of the company on the acquisition date and will pay an estimated amount of $183,320 for acquisition costs. The account receivable as compensation of the net working capital does not bear interest and will be received ten days after the deliverance of the financial statements of Morris Drilling Inc. An estimated amount of $2,627,551 has been accounted for as goodwill and management will finalize the purchase price allocation in order to determine the amount to be accounted for as goodwill and intangible assets.

The results of operations of 1085820 Ontario Limited and Morris Drilling Inc. are included in the consolidated financial statements from November 8, 2010 and December 13, 2010 respectively.

FUTURE ACCOUNTING CHANGES

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.

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.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. The Company expects the transition to IFRS to impact financial reporting, business processes and information systems.

The Company has implemented a conversion plan aiming to apply IFRS starting July 1, 2011.

This conversion plan comprises the following processes:

- Phase I – Preliminary analysis
- Phase II – Implementation of a conversion plan
- Phase III – Impacts calculations encrypted conversion

Phase I – Preliminary Analysis

Work to be done

- Determination of the impact of the choices and obligations related to the IFRS 1, IFRS' *First adoption*, including those related to exemptions and exceptions to the retrospective application of IFRS as at July 1, 2010, but also the quantification of the effects of initial changes pursuant to IFRS 1 concerning the information to be supplied and 2010 financial statements.
- Identification, during a preliminary phase, of the main differences expected between the current GAAP of Canada and the IFRS concerning the accounting rules the Company is to adopt starting July 1, 2011.
- Evaluation of the impact of change in accounting frame of reference concerning:
  - Information technologies and information systems;
  - Internal control regarding the financial information;
  - Disclosure controls and procedures with third parties;
  - Required expertise regarding financial information;
  - Commercial activities, as well as items on which measures compliant with Canadian GAAP may have an impact, such as small-print clauses, cash requirements and compensation mechanisms.

Progress

The Company has completed the documentation, on a qualitative basis, the main differences between Canadian GAAP accounting as applied by the Company and the IFRS that the Company will apply in the future.

The Company has begun to quantify the highlighted differences and the choices that will be made during the financial year ending June 30, 2011.

For organizational reasons, the Company decided to perform an assessment of the impacts of the controls and commercial activities during Phase II.

Phase II – Implementation of a Conversion Plan (ongoing since February 2010)

This phase, started several months ago, mainly consists of:

Work to be done

Development of content and training sessions on IFRS that would be applicable to the Company, for the Company's personnel in charge of drafting the financial statements, based on the findings the Company made in Phase I.

Documentation of technical positions by our team responsible for the production of the financial statements and validation by the Company's management of the different accounting positions to be adopted by the Company, in IFRS 1 as well as other IFRS standards applicable to the Company, in order to quantify in a subsequent step (Phase III) the impact of the application of these standards.

Assessment of the impact of changing the accounting frame of reference concerning:

Information technologies and information systems;

Internal control regarding the financial information;

Disclosure controls and procedures with third parties;

Required expertise regarding financial information;

Commercial activities, as well as items on which measures compliant with the GAAP may have an impact, such as small-print clauses, cash requirements and compensation mechanisms.

Progress

Expertise in financial reporting

IFRS training sessions, focusing on theoretical differences between Canadian GAAP and IFRS, were offered to all staff responsible for the production of the Company's future IFRS financial statements, as well as to certain members of the audit committee.

Accounting standards

The Company is currently in the process of documenting the different technical positions applicable as per IFRS, on a comparative basis with GAAP. Management had initially set as an objective, for the key issues, that this documentation be completed by June 30, 2010, to be able to start preparing:

Opening balance sheet as at July 1, 2010;

2010 financial information as per IFRS (including notes to the financial statements) in order to submit the quarterly and annual comparative information for the period 2010–2011.

Due to organizational issues and in order to finalize a deeper analysis of potential accounting differences between Canadian GAAP and IFRS, the analysis period of key IFRS impacting the Company's financial statements has been extended to the end of its fiscal year ending June 30, 2011.

Information technologies and data systems

The Company has not, at that point, identified any need for change in its systems, considering that the systems currently established allow for the production of financial information compliant with IFRS until December 31, 2011, the second quarter for which the Company will produce interim financial statements as per the new accounting frame. If the Company changes its opinion, this information would be included in the second MD&A concerning the period in which the need for this modification would arise.

Financial restrictive clauses and compensation standards

The Company is currently evaluating the consequences of the changeover to IFRS on these different elements and will produce additional information for readers of its financial statements when it is available.

Internal control on financial reporting and information disclosure controls and procedures

The Company, simultaneously with documenting its different accounting positions, evaluates the need to modify its internal control process and financial information disclosure. Any identification of a required modification is and will be subject to modification of these processes in order to comply with the correct application of the IFRS and ensure the effectiveness of the current controls.

Initial election upon adoption

IFRS 1 is a financial reporting standard that stipulates the requirements for an entity that is preparing IFRS compliant statements for the first time, and applies at the time of changeover. In order to ease their transition to IFRS, IFRS 1 provides new adopters for optional exemptions to the general rule of retrospective application of IFRS.

Set forth below are the IFRS 1 elections the Company expects to make to convert our Canadian GAAP results to IFRS. References to our "Transition Date" are to July 1, 2011.

After analysis the Company has decided the following exemptions to retrospective application:

Business Combinations – The relevant standard (i.e., IFRS 3, Business Combinations) under IFRS may be applied retrospectively or prospectively on transition. The Company has elected not to restate acquisitions prior to the IFRS transitional date.

Foreign Currency – The Company expects to reset the cumulative translation gains and losses to nil at transition (reverse against retained earnings) instead of computing the translation gain and loss amounts retrospectively under IFRS.

Share-based Payment – Under IFRS 1, a first-time adopter is encouraged, but not required, to apply IFRS 2, Share-based Payment to equity instruments that were granted on or before November 7, 2002. A first-time adopter is also encouraged, but not required, to apply IFRS 2 to equity instruments that were granted after November 7, 2002 and vested before the date of transition to IFRS, i.e., July 1, 2010. The Company has decided to use this exemption and will not therefore restate such grants. However, for equity instruments granted after November 7, 2002 and not vested as of July 1, 2010, the Company will be required to retrospectively apply IFRS 2 to such grants.

Quantified impacts of such elections will be determined by the Company, at its fiscal year ending June 30, 2011 but should not be material to the financial statements.

The Company will continue to monitor changes in IFRS throughout the duration of the implementation process and assess their impacts on the Company and its reporting.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates include, but are not limited to, the useful lives of property, plant and equipment and intangible assets for amortization purposes, depreciation of goodwill, inventory valuation, valuation of future income taxes, assumptions used in compilation of stock based compensation, fair value of assets acquired and liabilities assumed in business acquisitions, and amounts recorded as accrued liabilities. Actual results could differ materially from those estimates and assumptions.

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, 2010. 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. As a consequence, the trading price of the Common Shares may fluctuate.

Influence of Existing Shareholders

As of February 9, 2011, Pierre Alexandre, the Vice-Chairman of the Company, holds or controls, directly or indirectly, approximately 31% of Orbit Garant's outstanding Common Shares. As a result, this shareholder has the ability to influence Orbit Garant's strategic direction and policies, including any merger, consolidation or sale of all or substantially all of its assets, and the election and composition of Orbit Garant's Board of Directors. The foregoing ability to affect the control and direction of Orbit Garant could reduce its attractiveness as a target for potential takeover bids and business combinations, and correspondingly affect its share price.

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

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

Dilution

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

Dividend Payments

Orbit Garant does not expect to pay dividends as it intends to use cash for future growth or debt repayment. In addition, the Credit Agreement places restrictions on the ability of Orbit Garant to declare or pay dividends.

OUTLOOK

Although the industry experienced a significant decrease in demand for drilling service in the recent economic downturn, particularly in the junior exploration segment, the Company is noticing improvements as the market gradually recovers. Base metals prices have begun to rebound and exploration spending is showing signs of improvement.

The Company remains focused on its intermediate and senior company customers, who provide more stable revenues, and the Company actively pursues business opportunities with junior companies.

Management anticipates that the demand for drilling services will increase if the price of gold remains stable and base metal prices continue to improve.

The Company continues to focus on improving its productivity and efficiency by providing additional training to its personnel and by continuously improving its operating process.

The Board of Directors has approved $15.3 million in property, plant and equipment for the 2011 fiscal year that includes:

- new drilling rigs,
- support equipment, and
- the planning, remodeling and logistics of the relocation of the head office, thus consolidating the administration offices, most of the maintenance activities and Soudure Royale, the manufacturing division.

The drilling service market remains fragmented and the Company will continue to be disciplined in evaluating potential acquisitions that would be beneficial to its shareholders.

The Company has performed well during the uncertain and difficult market conditions of the past 18 months and management believes the Company is now well positioned for the expected market growth in the coming years.

SUPPLEMENTAL DISCLOSURE

This MD&A contains references to EBITDA (earnings before interest, taxes, depreciation and amortization) Management believes that EBITDA is a useful supplemental measure of operating performance prior to debt service, capital expenditures and income taxes. However, EBITDA is not a recognized earnings measure under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA should not be construed as an alternative to net income or loss (which are determined in accordance with GAAP as an indicator of the performance of the Company or as a measure of liquidity and cash flows. The Company's method of calculating EBITDA may differ materially from the methods used by other public companies and, accordingly, may not be comparable to similarly named measures used by other public companies.

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 Canadian generally accepted accounting principles.

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 ending December 31, 2010, 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.