MANAGEMENT'S DISCUSSION AND ANALYSIS

SECOND QUARTER FISCAL 2015

(Three and six-month periods ended December 31, 2014)

February 11, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 unaudited interim condensed consolidated financial statements for the three and six-month periods ended December 31, 2014, 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, 2014.

The Company's second quarter of fiscal 2015 unaudited interim 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 February 11, 2015. 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. For a more complete discussion of the risk factors that could cause the Company's actual results to materially differ from its current expectations, please refer to the Company's Annual Information Form dated September 26, 2014, accessible via www.sedar.com.

FISCAL 2015 SECOND QUARTER SUMMARY

- Revenue was $16.8 million in the second quarter of fiscal 2015 ("Q2 FY2015"), unchanged from $16.8 million in the second quarter of fiscal 2014 ("Q2 FY2014")
- Gross margin was (2.4%) compared to 6.8% in Q2 FY2014
- Adjusted gross margin (excluding depreciation expense) was 10.9%, compared to 20.5% in Q2 FY2014
- EBITDA was $(0.8) million compared to $0.9 million in Q2 FY2014
- Net loss was $2.8 million compared to $1.5 million in Q2 FY2014
- 193,362 metres drilled in Q2 FY2015, up from 184,040 metres in Q2 FY2014
- Debt reduction of $2.4 million during Q2 FY2015

In the second quarter of fiscal 2015 Orbit Garant achieved a 5.1% year-over-year increase in drilling volumes, but the Company's drilling volumes are still low when compared with peak levels recorded in fiscal 2012, due to the difficult market conditions which continue to prevail in the mineral drilling industry. Many senior and intermediate mining companies have scaled back their drilling programs over the past 27 months, and junior mining companies have significantly cut their exploration activities due to a lack of capital. This decreased demand for drilling services has led to pricing pressure from customers. Further, the Company has also experienced decreased demand for higher margin specialized drilling services. Orbit Garant's financial results in the second quarter and the first six months of fiscal 2015 reflect these market trends. Orbit Garant continues to carefully control costs, monitor its workforce and manage its capital expenditures in accordance with current market conditions.

CORPORATE OVERVIEW

From its head office in Val-d'Or, Québec, Orbit Garant, with approximately 600 employees and a fleet of 214 drill rigs, provides surface and underground drilling services to the mining and exploration industry in Canada and internationally. The Company also provides geotechnical drilling services to mining or mineral exploration companies, engineering and environmental consulting firms and government agencies. The majority of Orbit Garant's business activity is currently conducted in Canada. The Company has worked on international projects in the United States, Mexico, Guyana, Mauritania and Liberia. Orbit Garant recently established new operating subsidiaries in Chile and Ghana to pursue international business opportunities.

Orbit Garant has a comprehensive infrastructure that is vertically integrated with its subsidiary, Soudure Royale, which manufactures drill rigs for the Company and third parties (and thereby provides the Company with a competitive advantage in the provision of drilling services and equipment). 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 smaller conventional drilling companies.

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

For the six-month period ended December 31, 2014:

- Specialized drilling services, which typically generate a higher gross margin than conventional drilling services, accounted for approximately 39% of the Company's total revenue, compared to 50% for the six-month period ended December 31, 2013;
- Approximately 65% of the Company's revenue was generated by gold related operations, and approximately 35% was generated by base metal related and other operations;

- Surface and underground drilling services accounted for approximately 50% and 49%, respectively, of the Company's revenue. Orbit Garant's manufacturing subsidiary, Soudure Royale, accounted for the remaining 1% of revenue; and

- Approximately 81% of Orbit Garant's revenue was generated from major and intermediate mining company projects, compared to 74% for the same six-month period in the previous fiscal year. Orbit Garant's drilling contracts with major and intermediate customers are typically from one to three years in length.

BUSINESS STRATEGY

Orbit Garant's goal is to be the leading Canadian-based mineral drilling company. This will be achieved through the pursuit of both domestic and international opportunities and through the provision of best-in-class underground and surface drilling services, equipment and personnel for all stages of the mining and mineral 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 customized drills and equipment to fit the needs of customers;
- Maintain a 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 for the Company's personnel to continuously improve labour efficiency and the availability of a skilled labour force;
- Maintain a high level of health and safety standards in the workplace and promote protection of the environment;
- Establish and maintain long-term relationships with customers;
- Cross-sell drilling services to existing customers;
- Expand the Company's base of operations in strategic regions; and
- Evaluate strategic acquisition opportunities to enhance value for the Company's stakeholders.

INDUSTRY OVERVIEW

Orbit Garant provides drilling services to the mineral industry through all stages of mine development, from exploration through production. The client mining companies consist of major (or senior), intermediate, and junior exploration companies. Mining Companies' budgets for external drilling services such as those offered by Orbit Garant are typically determined by ferrous (iron) and non-ferrous (precious and base) metals prices and the availability of capital to finance exploration (particularly in the case of juniors) and development programs, and/or ongoing mining operations.

Gold

Gold prices are determined by the balance between supply (primarily mine production) and the many sources of demand including global investment demand, global demand for gold jewelry, and to a much lesser extent, demand from industrial applications. Following a prolonged rally in the price of gold that started in 2001 and resulted in a peak price for gold of more than US$1,900 per ounce in September 2011, the price of gold entered a period of overall decline starting in January 2013, when it was at approximately US$1,700 per ounce. The price of gold reached a new, trailing four-year price low of approximately US$1,140 per ounce during November 2014. At the time of this report, the spot price of gold was approximately US$1,220 per ounce.

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 pricing. As emerging markets advance their economic development, their infrastructure and industrial bases expand. Further, residents typically become more affluent, driving increased demand for manufactured goods.

Aluminum, copper, lead, nickel and zinc are the primary base metals. At the time of this report, the spot prices for copper and lead were lower than 12 months ago, while the spot prices for aluminum, nickel and zinc were higher. The spot price for copper, the metal widely considered to be the most sensitive to macroeconomic activity, was just over US$3.20 per pound a year ago, and at the time of this report had declined to approximately US$2.53 per pound. With the exception of zinc, spot prices for each of the primary base metals are currently at the lower end of their trailing five-year price ranges.

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. As the world's largest steel consumer, China is widely regarded as having the most influence on global iron ore market prices. Continuing urbanization of the world's population, particularly in China and India, the world's most populous countries, is fuelling global steel consumption, with demand expected to double by 2050. In the short-term, the spot price of iron ore is principally affected by seasonal effects, short-term mismatches between supply and demand and other factors. Iron ore prices experienced a sharp decline during 2014, dropping nearly 50% in value. Downward pricing pressure has continued in 2015 and at the time of this report, the spot price for iron ore was just over US$62 per tonne, the lowest point in its trailing five-year price history. The recent decline in iron ore prices has primarily resulted from industry oversupply and a slowdown in growth in China.

Market Participants

The past two years have been challenging for intermediate and junior mining companies needing to raise capital, resulting in budget restraints and reduced exploration and development programs. Further, the rising costs of mineral production, caused by higher operating and construction costs, combined with lower metals prices has also forced some senior and intermediate mining companies to delay or scale back their mineral drilling programs. These conditions have resulted in a short-term oversupply of mineral drilling services capacity in the market during this period; a trend that is expected to continue in 2015.

OVERALL PERFORMANCE

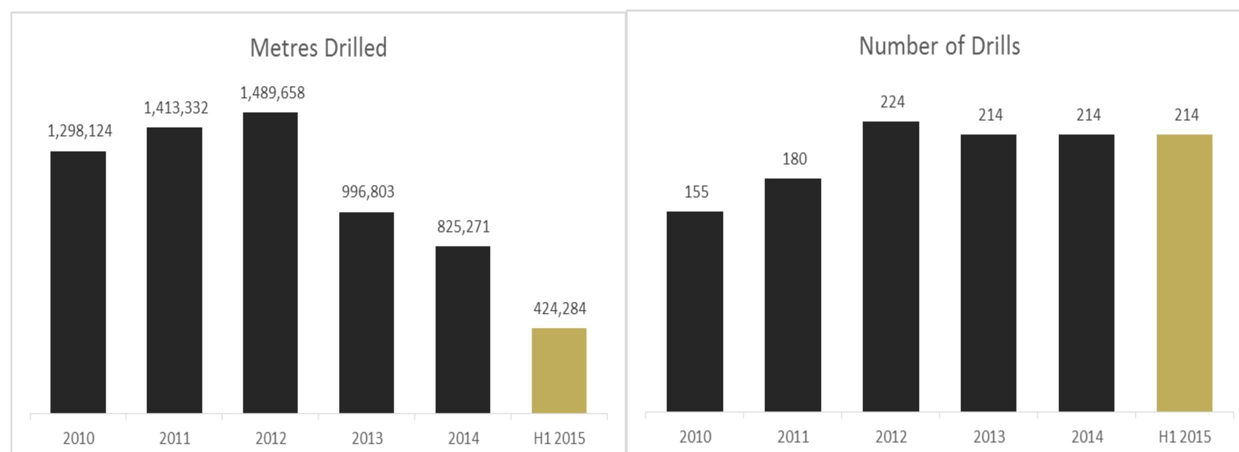
Results of operations for the second quarter ended December 31, 2014

SECOND QUARTER ENDED DECEMBER 31 * ($millions)	Fiscal 2015 2nd Quarter	Fiscal 2014 2nd Quarter	2015 vs. 2014 Variation
Revenue *	**16.8**	16.8	**-**
Gross profit (loss) *	**(0.4)**	1.1	**(1.5)**
Gross margin (%)	**(2.4)**	6.8	**(9.2)**
Adjusted gross margin (%) (1)	**10.9**	20.5	**(9.6)**
EBITDA * (2)	**(0.8)**	0.9	**(1.7)**
Metres drilled	**193,362**	184,040	**9,322**
Net (loss) earnings *	**(2.8)**	(1.5)	**(1.3)**
Net (loss) earnings per common share - Basic ($)	**(0.08)**	(0.05)	**(0.03)**
- Diluted ($)	**(0.08)**	(0.05)	**(0.03)**

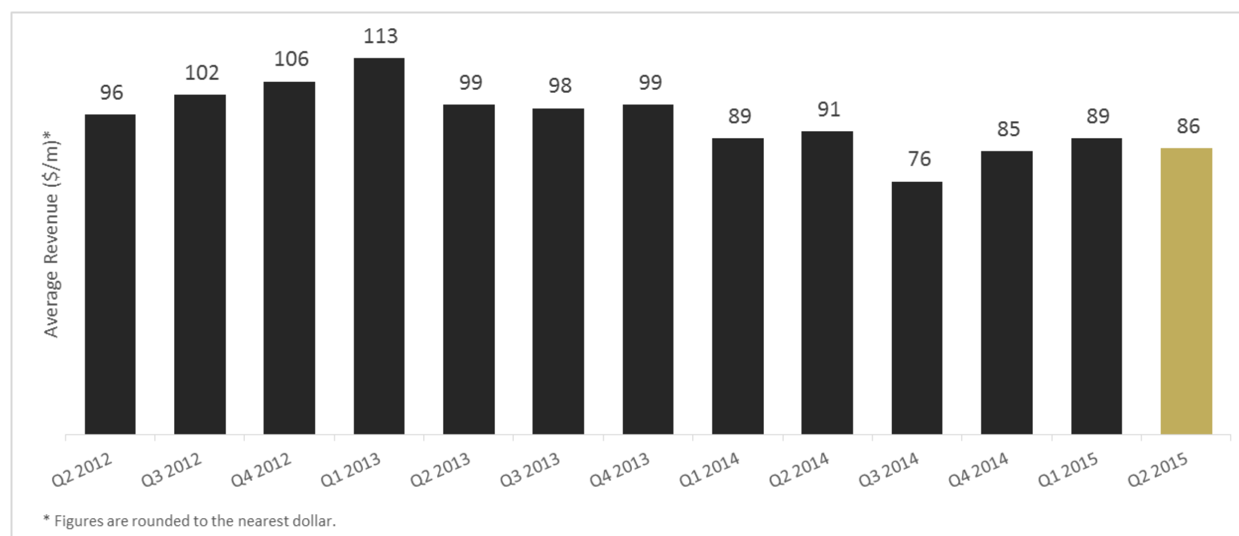
(1) Reflects gross margin, excluding depreciation expenses. See "Reconciliation of non-IFRS financial measures"
(2) EBITDA is defined as earnings before interest, taxes, depreciation and amortization. See "Reconciliation of non-IFRS financial measures"

During Q2 FY2015, Orbit Garant drilled 193,362 metres, a 5.1% increase from 184,040 metres drilled during Q2 FY2014. The increase in metres drilled reflects an increase in domestic drilling activity, partially offset by a decline in international drilling activity. The Company's average revenue per metre drilled in Q2 FY2015 was $86.14 compared to $90.61 in Q2 FY2014. Average revenue per metre drilled remains at the lower end of the Company's trailing three-year range, primarily due to current conditions in the mineral industry. These have resulted in pricing pressure from customers, as well as a significant decline in the Company's specialized drilling activity, which is typically charged at a higher rate.

The size of the Company's drill fleet was stable at 214 drill rigs in Q2 FY2015. During Q2 FY2015, Soudure Royale manufactured one new computerized drill rig for the Company and dismantled one drill rig. Orbit Garant currently has 22 drill rigs outfitted with its computerized monitoring and control technology.



Average Revenue per Metre Drilled



ANALYSIS OF THE SECOND QUARTER OF FISCAL 2015 COMPARED TO SECOND QUARTER OF FISCAL 2014

Contract Revenue

Revenue for Q2 FY2015 totalled $16.8 million, consistent with revenue for Q2 FY2014.

Canada revenue was $16.2 million in Q2 FY2015, compared to $15.3 million in Q2 FY2014, representing an increase of $0.9 million, or 5.4%, reflecting an increase in metres drilled in the period compared to Q2 FY2014, partially offset by the decline in average revenue per metre drilled.

International revenue was $0.6 million in Q2 FY2015, compared to $1.5 million in Q2 FY2014, a decrease of $0.9 million, or 61.3%, due to lower customer demand.

Gross Profit and Margins (see Reconciliation of non-IFRS measures)

Gross loss for Q2 FY2015 was $0.4 million, compared to a gross profit of $1.1 million in Q2 FY2014. Gross margin for Q2 FY2015 was (2.4%) compared with 6.8% in the second quarter a year ago. In accordance with IFRS, depreciation expenses totalling $2.2 million are included in cost of contract revenue for Q2 FY2015, compared to $2.3 million in Q2 FY2014. Adjusted gross margin, excluding depreciation expenses, was 10.9% in Q2 FY2015, compared to 20.5% in Q2 FY2014.

Canada's gross profit declined to $0.2 million in Q2 FY2015 from $1.0 million in Q2 FY2014. The decreases in gross profit, gross margin and adjusted gross margin were primarily attributable to lower average revenue per metre drilled and to a reduction in higher margin specialized drilling activity. The Company also incurred higher labour and equipment relocation costs in the quarter, reflecting the shorter durations of recent surface drilling contracts.

International's gross loss was $0.6 million, compared to a gross profit of $0.1 million in Q2 FY2014 primarily attributable to higher employee-related fixed costs on a lower international revenue base and start-up costs for a new project in Chile.

General and Administrative Expenses

General and administrative (G&A) expenses were $2.9 million, or 17.6% of revenue, in Q2 FY2015, compared to $3.1 million, or 18.2% of revenue, in Q2 FY2014. A one-time gain of $0.2 million, associated with the reversal of a portion of a contingent earn-out consideration, reduced G&A expenses in Q2 FY2015. In accordance with IFRS, depreciation and amortization expenses of $0.4 million are included in G&A expenses for Q2 FY2015, in line with Q2 FY2014. Adjusted G&A expenses, excluding depreciation and amortization expenses and the $0.2 million gain from the reversal of a portion of a contingent earn-out consideration in Q2 FY2015, were $2.7 million, or 16.0% of revenue, in Q2 FY2015, compared to $2.6 million, or 15.6% of revenue, in Q2 FY2014.

The Company continues to monitor its expenses in accordance with current market conditions, despite additional administrative costs incurred to support new offices in Chile and Ghana.

EBITDA (see Reconciliation of non-IFRS measures)

EBITDA totalled $(0.8) million in Q2 FY2015, compared to $0.9 million in the second quarter a year ago, a decrease of $1.7 million.

Financial Expenses

Interest costs related to long-term debt and bank charges were $0.1 million in Q2 FY2015, compared to $0.2 million in Q2 FY2014. The decline reflected the year-over-year reduction in the Company's debt.

Income Tax Recovery

Income tax recovery was $0.7 million for Q2 FY2015, compared to $0.5 million in Q2 FY2014.

Net loss

The Company's net loss for Q2 FY2015 was $2.8 million, or $0.08 per share, compared to $1.5 million, or $0.05 per share, in Q2 FY2014. Lower gross margins, as discussed above, contributed to the Company's net loss for Q2 FY2015.

SIX MONTHS ENDED DECEMBER 31, 2014 COMPARED TO SIX MONTHS ENDED DECEMBER 31, 2013

SIX MONTHS ENDED DECEMBER 31 * ($millions)	2014	2013	Variation
Revenue *	37.5	35.3	2.2
Gross profit *	1.6	3.1	(1.5)
Gross margin (%)	4.2	8.8	(4.6)
Adjusted gross margin (%) [(1)]	16.2	22.1	(5.9)
EBITDA * [(2)]	1.3	2.6	(1.3)
Meters drilled	424,284	385,543	38,741
Net earnings (loss) *	(3.4)	(2.6)	(0.8)
Net earnings (loss) per common share - Basic ($)	(0.10)	(0.08)	(0.2)
- Diluted ($)	(0.10)	(0.08)	(0.2)

[(1)] Reflects gross margin, excluding depreciation expenses. See "Reconciliation of non-IFRS financial measures"
[(2)] EBITDA is defined as earnings before interest, taxes, depreciation and amortization. See "Reconciliation of non-IFRS financial measures"

Revenue totalled $37.5 million for the six-month period ended December 31, 2014, an increase of $2.2 million, or 6.1%, from $35.3 million during the comparable period in fiscal 2014. The increase was primarily attributable to an increase in domestic metres drilled, partially offset by decreased international metres drilled.

Canada revenue totalled $36.7 million, an increase of $3.7 million, or 11.1%, compared to $33.0 million for the same period last fiscal year. The increase was attributable to the higher number of metres drilled, partially offset by the lower average revenue per metre drilled.

International revenue was $0.8 million compared to $2.3 million in the comparable period last fiscal year, a decrease of $1.5 million, or 66.0%. The decline resulted from lower demand.

Gross Profit and Margins (see Reconciliation of non-IFRS measures)

Gross profit for the first six months of fiscal 2015 was $1.6 million, a decrease of $1.5 million, or 50.0%, from $3.1 million in the comparable period of fiscal 2014. Gross margin for the first half of fiscal 2015 was 4.2% compared to 8.8% for the comparable period in fiscal 2014. In accordance with IFRS, depreciation expenses totalling $4.5 million are included in cost of contract revenue for the six-month period ended December 31, 2014 compared to $4.7 million for the comparable period last fiscal year. Adjusted gross margin, excluding depreciation expenses, decreased to 16.2% for the six-month period ended December 31, 2014, compared to adjusted gross margin of 22.1% for the comparable period last fiscal year.

Canada's gross profit was $2.7 million, a decrease of $0.6 million from $3.3 million in the first six months fiscal 2014. The decreases in gross profit, gross margin and adjusted gross margin were primarily attributable to lower average revenue per metre drilled and to a reduction in higher margin specialized drilling activity. The Company also incurred higher labour and equipment relocation costs in the period, reflecting the shorter durations of recent surface drilling contracts.

International's gross loss was $1.1 million, compared to $0.2 million for the comparable period last fiscal year were primarily attributable to higher employee-related fixed costs on a lower international revenue base and start-up costs for a new project in Chile.

General and Administrative Expenses

G&A expenses were $5.6 million, or 15.0% of revenue, in the six-month period ended December 31, 2014, compared to $6.2 million, or 17.5% of revenue, for the comparable period last year. A one-time gain of $0.2 million, associated with the reversal of a portion of a contingent earn-out consideration in Q2 FY2015, reduced G&A expenses for the six-month period ended December 31, 2014.

Adjusted G&A expenses, excluding amortization and depreciation of $0.8 million and the $0.2 million gain from the reversal of a portion of a contingent earn-out consideration in Q2 FY2015, were $5.0 million, or 13.3% of revenue, for the six-month period ended December 31, 2014, compared to adjusted G&A expenses, excluding amortization and depreciation of $0.9 million of $5.3 million, or 14.9% of revenue, in the comparable period last fiscal year.

The decrease in adjusted G&A expenses resulted from the proactive measures taken by the Company to reduce expenses in response to current market conditions, partially offset by additional administrative costs incurred to support the Company's new offices in Chile and Ghana.

EBITDA (see Reconciliation of non-IFRS measures)

EBITDA was $1.3 million for the six-month period ended December 31, 2014, compared to $2.6 million in the comparable period last fiscal year, a decrease of $1.3 million, or 50.3%. EBITDA in the six-month period ended December 31, 2014 represented 3.4% of sales, compared to 7.3% of sales in the comparable period last fiscal year.

Financial Expenses

Interest costs related to long term debt and bank charges were $0.3 million in the six-month period ended December 31, 2014, compared to $0.4 million for the first half of fiscal 2014. The decline reflected the year-over-year reduction in the Company's debt.

Income Tax Recovery

Income tax recovery was $0.9 million in the six-month period ended December 31, 2014, compared to $0.8 million for the comparable period in fiscal 2014. The income tax recovery resulted from the Company's net loss.

Net Loss

Net loss for the six-month period ended December 31, 2014, was $3.4 million, or $0.10 per share, compared to a loss of $2.6 million, or $0.08 per share, for the comparable period last fiscal year. Lower gross margins, as discussed above, contributed to the Company's net loss for the first six months of fiscal 2015.

SUMMARY OF QUARTERLY RESULTS

* ($millions)		Fiscal 2015		Fiscal 2014				Fiscal 2013	
		Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Contract revenue *		**16.8**	**20.7**	20.2	16.0	16.8	18.5	21.4	23.7
Gross profit (loss) *		**(0.4)**	**2.0**	1.8	(1.1)	1.1	2.0	2.3	3.4
Gross margin%		**(2.4)**	**9.5**	8.4	(6.7)	6.8	10.7	10.6	14.5
Adjusted gross margin% (1)		**10.9**	**20.6**	20.5	7.9	20.5	23.5	21.9	25.3
Net earnings (loss) *		**(2.8)**	**(0.6)**	(0.8)	(2.9)	(1.5)	(1.1)	(27.6)	(0.6)
Net earnings (loss) per common share ($)	- Basic	**(0.08)**	**(0.02)**	(0.02)	(0.09)	(0.05)	(0.03)	(0.83)	(0.02)
	- Diluted	**(0.08)**	**(0.02)**	(0.02)	(0.09)	(0.05)	(0.03)	(0.83)	(0.02)

(1) Reflects gross margin, excluding depreciation expenses. 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 $(0.8) million in Q2 FY2015, compared to $1.1 million in Q2 FY2014.

The change in non-cash operating working capital items was an inflow of $2.1 million in Q2 FY2015, compared to an inflow of $1.5 million in Q2 FY2014.

Investing Activities

Cash used in investing activities, primarily for the acquisition of property, plant and equipment, totalled $1.0 million in Q2 FY2015, compared to $0.8 million in Q2 FY2014.

Financing Activities

During Q2 FY2015, the Company repaid a net amount of $2.4 million on its $25.0 million revolving credit facility (the "Credit Facility"). In Q2 FY2014, the amount repaid was $2.1 million. As at December 31, 2014, the Company's long-term debt, including the current portion, was $4.8 million net of financing fees of $0.2 million, compared to $8.5 million as at June 30, 2014. The Company's debt was incurred to support the acquisition of capital assets, including property, plant and equipment.

As at December 31, 2014, the Company's working capital was $42.1 million, compared to $37.1 million as at June 30, 2014. Orbit Garant's working capital is used primarily to fund inventory acquisition and support accounts receivable.

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

Source of Financing

Orbit Garant'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"). On December 19, 2014, Orbit Garant obtained a new $25.0 million secured, three-year revolving credit facility with National Bank, replacing the Company's prior $40.0 million four-year revolving credit facility held with the same institution.

The new Credit Facility will be used to fund working capital requirements and provide further flexibility to the Company's long-term acquisition program. The Credit Facility matures no later than December 19, 2017. As at December 31, 2014, Orbit Garant had drawn $5.0 million ($8.5 million as at June 30, 2014).

Availability under the Credit Agreement is subject to a borrowing base that is determined by the value of the Company's inventory, accounts receivable and real estate. All of Orbit Garant's assets are pledged as security for the Company's obligations under the Credit Agreement.

The Credit Agreement contains covenants that limit the Company's ability to undertake certain actions, including: i) mergers, liquidations, dissolutions and changes of ownership; ii) the incurrence of additional indebtedness; iii) encumbering the Company's assets; iv) guarantees, loans, investments and acquisitions that may be made by the Company; v) investing in or entering into derivative instruments, paying dividends and/or making other capital distributions to related parties; vi) capital expenditures exceeding mutually agreed upon limits; and vii) certain asset sales. The Credit Agreement also contains a number of financial covenants that the Company must comply with in if more than $12.5 million is drawn under the facility.

As at the end of December 2014, the Company complied with all covenants in the Credit Agreement.

OUTSTANDING SECURITIES AS AT FEBRUARY 11, 2015

Number of common shares	**33,276,519**
Number of options	**3,804,000**
Fully diluted number of common shares	**37,080,519**

Since July 1st, 2014, the Company has cancelled 34,500 options and on December 5, 2014, the Company granted 75,000 stock options with an exercise price of $1.35 per share.

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»). The IFRS accounting policies that are set out in Note 5 to the Company's annual audited consolidated statements for the year ended June 30, 2014, were consistently applied to all periods presented, except for accounting policies affected by standards and interpretations adopted on July 1, 2014, as described below. These interim condensed consolidated financial statements have not been subject to a review engagement by the Company's external auditors.

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 6 in the Company's annual audited consolidated financial statements for the year ended June 30, 2014. They remained unchanged for the three and six-month periods ended December 31, 2014.

These unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis, except for the contingent liabilities, 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»). All values are rounded to the nearest thousand dollars, except where otherwise indicated.

These unaudited interim condensed consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's 2014 annual audited consolidated financial statements.

These unaudited interim condensed consolidated financial statements were approved for issue by the Board of Directors of Orbit Garant Drilling Inc. on February 11, 2015.

Principles of Consolidation

The Company's unaudited interim condensed consolidated financial statements incorporate the Company's financial statements and entities controlled by the Company. A subsidiary is an entity controlled by the Company. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, independently of its percentage of participation. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when the Company controls another entity.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the unaudited interim condensed 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.

STANDARDS AND INTERPRETATIONS ADOPTED

The following standards and amendments to existing standards have been adopted by the Company on July 1, 2014:

IAS 32 – Financial Instruments - Presentation

IAS 32 is amended to provide clarification on the application of rules to offset financial assets and financial liabilities. The following notions are clarified: legally enforceable right to offset, application of simultaneous realization or settlement, offsetting a guaranteed amount and the unit of accounting for application of the offsetting obligations.

IAS 36 – Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets
IAS 36 is amended to address the disclosure information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.

IFRIC 21 – Levies
IFRIC Interpretation 21 considers how an entity should account for levies imposed by governments, other than income taxes, in its interim condensed consolidated financial statements.

Annual improvements to IFRS (2010-2012 Cycle), which include among others:

Amendments to IFRS 2, *Share-based Payments*, relate to the definitions of «vesting condition» and «market condition» and add definitions for «performance condition» and «service condition».

Amendments to IFRS 3, *Business Combinations,* clarify that contingent consideration classified as an asset or a liability should be measured at fair value on each reporting date, irrespective of whether the contingent consideration is a financial instrument or a non-financial asset or liability.

Amendments to IFRS 8, *Operating Segments*, require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments and clarity that a reconciliation of the total of the reportable segments' assets and the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision maker.

Amendments to IFRS 13, *Fair Value Measurement*, clarify that the issuance of IFRS 13 did not remove the ability to measure current receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

Annual improvements to IFRS (2011-2013 Cycle), which include among others:

Amendments to IFRS 3, *Business Combinations,* clarify that the scope of IFRS 3 does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

Amendments to IFRS 13, *Fair Value Measurement*, clarify that the scope of the portfolio exception for measuring the fair value of a group of financial liabilities on a net basis includes all contracts that are within the scope of IAS 39, Financial Instruments: Recognition and Measurement, even if those contracts do not meet the definition of financial assets or financial liabilities.

The standards and amendments listed above did not have any impact on the Company's interim condensed consolidated financial statements.

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 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, 2018, with early adoption permitted.

IFRS 15 – Revenue from Contracts with Customers
IFRS 15 specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 is effective from periods beginning January 1, 2017, with early adoption permitted.

IAS 16 – Property, Plant and Equipment
IAS 16 prohibits entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 16 are effective from periods beginning January 1, 2016, with early adoption permitted.

IAS 38 – Intangible assets
IAS 38 introduces a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset, except in two limited circumstances. The amendments to IAS 38 are effective from periods beginning January 1, 2016, with early adoption permitted.

IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures
The amendment entitled «Sale or Contribution of Assets between an Investor and its Associate or Joint Venture» specifies the treatment to be adopted when an entity sells or contributes assets that constitute a business to a joint venture or an associate or loses control of a subsidiary that contains a business but it retains joint control or significant influence, the gain or loss resulting from that transaction is recognized in full. When an entity sells or contributes assets that do not constitute a business to a joint venture or associate or loses control of a subsidiary that does not contain a business but it retains joint control or significant influence in a transaction involving an associate or a joint venture, the gain or loss resulting from that transaction is recognized only to the extent of the unrelated investors' interest in the joint venture or associate, the entity's share of the gain or loss is eliminated. The amendments to IFRS 10 are effective from periods beginning January 1, 2016, with early adoption permitted.

Annual improvements to IFRS (2012-2014 Cycle), which include among others:

Amendments to IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, introduce guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued.

Amendments to IFRS 7, Financial Instruments: Disclosure, provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets, and guidance as to whether the disclosure requirements on offsetting financial assets and financial liabilities should be included in condensed interim financial statements.

Amendments to IAS 34, Interim Financial Reporting, clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The Company is currently evaluating the impacts of adopting these standards on its consolidated financial statements.

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 to evaluate 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.

EBITDA: Earnings (loss) before interest, taxes, depreciation and amortization.

Adjusted gross margin: Contract revenue less operating costs. Operating expenses comprise material and service expenses, personnel expenses, other operating expenses, excluding depreciation.

EBITDA

Reconciliation of EBITDA

(unaudited) (in millions of dollars)	3 months ended December 31, 2014	3 months ended December 31, 2013	6 months ended December 31, 2014	6 months ended December 31, 2013
Net loss for the period	**(2.8)**	(1.5)	(3.4)	(2.6)
Finance costs	**0.1**	0.2	0.3	0.4
Income tax expense (recovery)	**(0.7)**	(0.5)	(0.9)	(0.8)
Depreciation and amortization	**2.6**	2.7	5.3	5.6
EBITDA	**(0.8)**	0.9	1.3	2.6

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)	3 months ended December 31, 2014	3 months ended December 31, 2013	6 months ended December 31, 2014	6 months ended December 31, 2013
Contract revenue	**16.8**	16.8	37.5	35.3
Cost of contract revenue (including depreciation)	**17.2**	15.6	35.9	32.2
Less depreciation	**(2.2)**	(2.3)	(4.5)	(4.7)
Direct costs	**15.0**	13.3	31.4	27.5
Adjusted gross profit	**1.8**	3.5	6.1	7.8
Adjusted gross margin (%) [1]	**10.9**	20.5	16.2	22.1

[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 should be read in conjunction with, the detailed information appearing elsewhere in this report and in the Company's Annual Information Form dated September 26, 2014. 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 affected materially and adversely.

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 February 11, 2015, Pierre Alexandre, Vice-Chairman and Vice-President of Business Development 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

The international mining industry has now exhibited cost restraint with mineral exploration and development programs for a prolonged period. Senior and intermediate mining companies began scaling back their drilling programs in 2013 and this trend continued throughout 2014. At the same time, junior mining companies have significantly cut their exploration activities due to a lack of capital. These adverse market conditions have created a short-term oversupply of drilling services capacity in the market, which in turn has created downward pricing pressure. Management expects that these market conditions will continue to impact the contract drilling industry and Orbit Garant's utilization rates and gross margins in the near term.

Despite these current market challenges, Management believes the longer-term outlook for the mining industry is positive. Global demand for ferrous and non-ferrous metals, combined with depleting reserves and resources, will eventually lead to increased exploration and development activities by mining companies. Increased demand for minerals from developing countries, such as Brazil, Russia, India and China, will provide the greatest impetus for growth. China, the world's second largest economy, has a significant impact on global demand and pricing for ferrous and non-ferrous metals. One factor that may drive increased exploration and/or development spending by Canadian producers in the medium term is the recent decline in value of the Canadian dollar relative to the U.S. dollar. At the time of this report, the value of the Canadian dollar was approximately 0.79 U.S. dollars.

Management remains focused on maximizing stakeholder value principally by controlling costs, optimizing drill rig utilization, increasing productivity, continuing to focus on innovation, retaining key personnel and maintaining Orbit Garant's strong health and safety standards. Management believes the Company's proprietary computerized monitoring and control drilling technology will increasingly be an important contributor in achieving these goals by reducing both labour and consumable drilling costs, enhancing driller productivity rates and improving safety. In deployments on customer projects to date, Orbit Garant has achieved more than 25 percent greater productivity compared to that achieved using conventional drill rigs. The Company currently has 22 drill rigs featuring its computerized monitoring and control technology deployed. Orbit Garant's customers have responded positively to the improved performance and potential of the new drill rigs, which has led to renewals of underground drilling contracts for longer terms.

Orbit Garant recently expanded its international market presence with new offices in Chile and Ghana, and is now better positioned to seize international market opportunities and further strengthen customer relationships. The Company commenced work on its first drilling contract in Chile during the second quarter of fiscal 2015. Orbit Garant will continue to monitor market conditions closely and manage its staff and inventory levels, capital expenditures and balance sheet accordingly. With its sound balance sheet, the Company remains committed to pursuing value-enhancing growth opportunities in Canada and internationally.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for designing internal controls over financial reporting ("ICFR") or ensuring they are designed in accordance with ICFR through 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 six months ended December 31, 2014, 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 at the end of the period covered by this report.