MANAGEMENT'S DISCUSSION AND ANALYSIS
THIRD QUARTER FISCAL 2010
ENDED MARCH 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 months and nine months ended March 31, 2010 as compared to 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, 2009.

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, 2009, except for the adoption of new accounting policies as disclosed hereafter in "Changes in Accounting Policies". The interim consolidated financial statements conform in all respects to the requirements of Canadian generally accepted accounting principles 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 discussion and analysis, 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 partnership, Orbit Garant Drilling, a general partnership and its wholly owned subsidiaries.

This MD&A is dated May 11, 2010. Disclosure contained in this document is current to that date unless otherwise stated.

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.

THIRD QUARTER FISCAL 2010 HIGHLIGHTS

- Record revenue of $28.8 million, compared to $27.7 million in the comparable quarter of fiscal 2009, an increase of 4% ;
- Record meters drilled of 352,602 completed in the third quarter, up 18.2% from 298,341 in Q3 of fiscal 2009 ;
- An expanding fleet of 150 drill rigs, including 10 new drills added in the third quarter ;
- Working capital increased to $40.5 million during the third quarter of fiscal 2010 from $38.1 million at December 31, 2009.
- Capital expenditures of $3.7 million to sustain growing activity.
- Net cash position was $7.9 million.

**Net cash is calculated as cash minus current portion of long term debt and long term debt*

CORPORATE OVERVIEW

From its head office in Val-d'Or, Quebec, Orbit Garant manages a fleet of 150 drilling rigs that are used to service the mining industry in Canada and internationally. The Company has a low cost infrastructure and is vertically integrated with Soudure Royale manufacturing drill rigs for the Company and third parties (and so providing a competitive advantage in the provision of drilling services). The Company focuses on "Specialized Drilling", which refers to those drilling projects that are completed in remote locations or, in the opinion of management, because of the scope, complexity or technical nature of the work, cannot be completed by small conventional drilling companies.

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

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

Orbit Garant operates in stable jurisdictions, with approximately 93% of the Company's revenues generated in Canada. The Company also operates in the USA, Mexico, Suriname and Guyana.

Approximately 65% 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 minerals business including exploration, development and production by 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;
- 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; and
- Cross-selling drilling services to existing clients.

INDUSTRY OVERVIEW

In the first half of 2010, the mining and minerals industry continued to show signs of improvement, reinforcing the prevailing economic opinion that global economic recovery continues. Since mid-2009, the price of most commodities have been trending upward or remained reasonably stable, a result of improved sentiment, diminishing metals inventories and a weaker US dollar. This positive momentum and commodity price strength is expected to continue further into 2010 and 2011. The sustainability of this recovery could, however, be adversely impacted by sovereign debt worries, overestimation of demand from Asia and potential protectionist measures imposed as a result of the growing US trade imbalance.

In the long-term, fundamentals remain positive and the recovery of the economy will serve to increase global demand. Base metals and gold have already regained some of their strength that was lost during the recession and diminishing inventories, coupled with slow supply growth, will support strong and stable prices in the long-term.

Gold

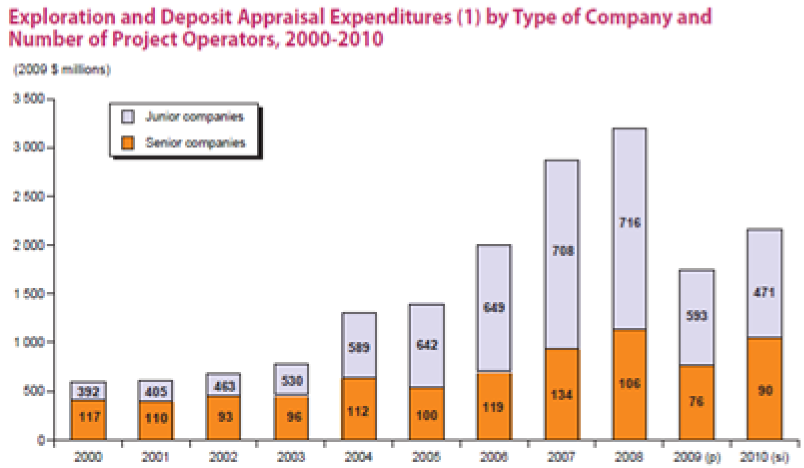
Gold continues to represent a safe-haven for investors, acquired to protect their net worth against market uncertainty and volatility. As a result, gold prices were able to endure the recent recession and have remained stable through the early stages of economic recovery. The stability in the price of gold at this time can also be attributed to the widespread fears of longer-term inflation, concerns about sovereign debt and a worldwide decline in its production. As a result, it is expected that gold will remain an attractive commodity group in 2010 and 2011.

Base Metals

Since mid-2009, base metals prices have rallied from their lows in tandem with the gradual economic recovery, a resurgence in Chinese demand and the potential of limited mine supply. Yet, many market participants continue to have a cautious outlook for the price of base metals. As the price of base metals regain strength, Chinese base metal production is re-emerging, which could make China less reliants on foreign markets. However, China is faced with many production constraints that are thought to impede the country's efforts of reaching self-sufficiency. In addition, the copper market fundamentals remain positive as mine capacity constraints are limiting supply growth. The outlook for base metals continues to be well supported by global economic growth and increasing base metal demand, as the supply side remains slow to catch up.

Market Participants

Directly correlated to commodity pricing, mining exploration expenditures remain the key driver of the mineral drilling industry. After eight consecutive years of increasing expenditures, the mining industry witnessed significant decline in expenditures and exploration activity in 2009 particularly on the part of junior companies. . Metals Economics Group (MEG) reported that in 2009 mining companies around the world had slashed their exploration budgets by more than 40%. As the economy began to gradually recover in the latter half of 2009, so too did the mining industry. MEG has reported that, in 2010, mining company exploration spending is expected to increase 30%-40%, as metals prices rally and access to capital improves.



Source: Natural Resources Canada (NRCan) from the federal-provincial/territorial Survey of Mineral Exploration, Deposit Appraisal and Mine Complex Development Expenditures.
(p) Preliminary estimates; (si) Spending intentions. (1) Includes field work, overhead, engineering, economic and pre- or production feasibility studies, environment, and land access costs for on-mine-site
and off-mine-site activities. (2) Calculated by NRCan. (3) The commodity breakdown for 2010 spending intentions was estimated based on 2009 preliminary reports. (4) Includes coal, iron, other metals, and
non-metals. Notes: Company budgets for 2010 expenditures had not been finalized at the time of the survey. Data were collected from October 2009 to mid-February 2010.

Outlook

After experiencing the negative effects of the financial crisis and economic downturn, the drilling industry has a renewed sense of optimism amid a resurgence in demand. While many in the industry struggled in the downturn, Orbit Garant was able to maintain stable margins and revenue in addition to improving an already strong balance sheet. The company's focus on improving operational efficiencies, disciplined cost management and dedication to its proven strategy enabled it to benefit from above average utilization rates and to maintain steady margins, despite a challenging operating environment.

In 2010, as commodity prices and exploration spending improve, Orbit Garant has already noticed an increase in demand across the industry and the company's current utilization rate is above 85%, a rate that management would consider "effective full capacity". The Company plans to put 20 new rigs into service this fiscal year. With overall market sentiment improving and strong long-term fundamentals in place, Orbit Garant's management expects the industry to continue to improve in 2010 and pick up even further into 2011.

OVERALL PERFORMANCE
RESULTS OF OPERATION – THIRD QUARTER ENDED MARCH 31, 2010

THIRD QUARTER ENDED MARCH 31 * ($ millions)		Fiscal 2010 Quarter 3	Fiscal 2009 Quarter 3	2010 vs. 2009 Variation $	Variation %
Revenue * ($)		28.8	27.7	1.1	4.0
Gross Profit * ($)		8.9	9.2	(0.3)	(2.9)
Gross Margin (%)		31.0	33.2		
EBITDA * ($) (1)		7.9	7.3	0.6	7.5
Meters drilled		352,602	298,341	54,261	18.2
Net Earnings * ($)		3.7	3.2	0.5	15.9
Net earnings per common shares	- Basic ($)	0.11	0.10		
	- Diluted ($)	0.11	0.10		

(1) EBITDA = Earnings before interest, taxes, depreciation and amortization.(see supplemental disclosure)"

The Company continued to increase its market share by increasing the number of meters drilled to 352,602 and by the addition of 10 new drilling rigs during the quarter.

Despite market pressures affecting revenues per meter, the Company achieved a gross margin of 31%.

In the three-months ended March 31, 2010, Orbit Garant generated net earnings of $3.7 million compared to $3.2 million in the comparable quarter of fiscal 2009, an increase of $0.5 million or 15.9%. The increase in net earnings is attributable to the revenue generated by additional meters drilled and a gain on sale of a facility, during the quarter.

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

CONTRACT REVENUE	Three months ended March 31, 2010			Three months ended March 31, 2009		
Segmented information *(million)	Revenue	Gross profit	Gross margin %	Revenue	Gross profit	Gross margin %
Drilling Canada * ($)	26.8	8.3	31.0	27.4	9.4	34.4
Drilling International * ($)	2.0	0.6	30.7	0.3	(0.2)	(76.1)
Manufacturing Canada * ($)	----	----		----	----	
	28.8	8.9	31.0	27.7	9.2	33.2

During the three month period ended March 31, 2010, the Company recorded contract revenue of $28.8 million compared to $ 27.7 million in fiscal 2009, representing an increase of $1.1 million or 4%. The average revenue per meter was $81.70 in Q3 fiscal 2010 compared to $92.83 for the same period in fiscal 2009, a result of the competitive pricing environment. The decrease in revenues per meter drilled was offset by the total revenues generated by the increase of meters drilled.

Domestic surface drilling contract revenue decreased to $14.9 million in the third quarter of fiscal 2010 compared to $16.3 million in fiscal 2009, representing a decrease of $1.3 million or 8.3%.

Underground drilling contract revenue increased from $11.1 million in the third quarter of 2009 to $11.9 million in the third quarter of fiscal 2010, an increase of 7.2%.

International drilling contract revenue increased to $2 million in the third quarter of 2010 from $0.3 million for the same period in fiscal 2009. The increase of $1.7 million can be attributed to new contracts that were initiated in the second quarter of fiscal 2010.

The Manufacturing division built new rigs and support equipment exclusively for the company during the quarter. In the third quarter of fiscal 2009, the manufacturing division generated negligible revenues.

GROSS MARGIN

Overall gross profit in the third quarter of fiscal 2010 was $8.9 million, compared to $9.2 million in the comparable quarter of 2009, a decrease of $0.3 million or 2.9%.

Gross margin for the third quarter of 2010 was 31.0% compared to 33.2% for the comparable period in fiscal 2009, a result of competitive pricing environment.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses remained constant at $1.7 million in the third quarter of 2010, and in the comparable period in 2009. General and administrative expenses represented 5.9% in the third quarter of fiscal 2010 compared to 6% of sales in the third quarter of 2009.

AMORTIZATION

Amortization of property, plant and equipment was $1.4 million in the third quarter of fiscal 2010 compared to $1.2 million in the same period in fiscal 2009, a result of acquisition of new drills and equipment.

Amortization of intangible assets was $1.1 million in the third quarter of fiscal 2010 compared to $1.2 million in the comparable quarter in 2009.

GAIN ON SALE OF PROPERTY

The Company sold its building in Rouyn-Noranda in the third quarter of Fiscal 2010, resulting in a gain of $0.5 million. Orbit Garant leased back space in the building, for a period of 1 to 5 years at an annual rate of $105,400, payable monthly.

INCOME TAXES

Income taxes were $1.6 million in the third quarter of fiscal 2010, consistent with the comparable period of 2009.

NET EARNINGS

Net earnings was $3.7 million, or $0.11 per share ($0.11 per share diluted) in the third quarter 2010 compared to $3.2 million or 0.10 per share ($0.10 per share diluted) in the comparable2009 period.

EBITDA (see SUPPLEMENTAL DISCLOSURE)

EBITDA increased to $7.9 million in the third quarter of 2010, compared to $7.3 million in the same period of the prior year, an increase of $0.6 million or 7.5%, a result of an increase in revenue. EBITDA in the third quarter of fiscal 2010 represents 27.4% of sales, compared to 26.5% in the previous year.

RESULTS OF OPERATIONS – NINE MONTHS ENDED MARCH 31, 2010

CONTRACT REVENUES

Segmented Information * ($ millions)	Nine months ended March 31					
	2010			2009		
	Revenue	Gross Profit	Gross Margin %	Revenue	Gross Profit	Gross Margin %
Drilling Canada * ($)	70.7	22.6	31.9	73.5	24.5	33.3
Drilling International * ($)	6.1	1.8	30.3	2.7	0.6	21.9
Manufacturing Canada * ($)	0.1	0.1	76.3	0.7	0.3	44.2
	76.9	24.5	31.9	76.9	25.4	33.0

Revenues remained stable at $76.9 million in the nine month period ended March 31, 2010, even with the same period the previous fiscal year.

The number of meters drilled during the first nine months of fiscal 2010 was 919,437 compared to 812,554 during the same period last fiscal year, an increase of 106,883 meters or 13.2%.

Drilling Canada revenues was $70.7 million in the first nine months of fiscal 2010, a decrease of $2.8 million or 3.9% compared to $73.5 million in the same period last year.

Drilling International revenue was $6.1 million in the nine months ended March 31, 2010 compared to $2.7 million in the comparable period the prior year, an increase of $3.4 million, or 125.3%.

Manufacturing Canada revenue was $0.1 million in the nine month period in 2010, a decrease of $0.6 million from the comparable period the previous year, attributed to the decrease in demand for new drills.

GROSS MARGIN

Overall gross profit for the first nine months of fiscal 2010 was $24.5 million, which includes a positive adjustment of $0.8 million from the CSST in the second quarter, a decrease of $0.9 million from $25.4 million in the comparable period of 2009, or 3.5%.

Gross margin for the first nine months of the 2010 fiscal year was 31.9% compared to 33% for the corresponding period last year, a result of the competitive pricing environment.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses were $5.1 million in the nine month period ended March 31, 2010 compared to $5.2 million for the same period last year which represented 6.6% and 6.7% of the sales, respectively.

AMORTIZATION

Amortization of capital assets was $3.9 million in the first nine months of fiscal 2010 compared to $3.0 million for the corresponding period in fiscal 2009, attributable to an investment in equipment.

Amortization of intangible assets was $3.3 million for the first nine months of 2010 compared to $3.2 million for the first nine months of 2009.

FINANCIAL EXPENSES

Interest on long term debt and interest and bank charges were respectively $0.2 million and $0.1 million in the first nine months of fiscal 2010 compared to $0.3 million and $0.2 million during the same period of the previous year, a result of partial reimbursement of long term debt and repayment of operating line of credit in the first quarter of the fiscal year.

INCOME TAXES

Income taxes were $4.0 million in the first nine months of fiscal 2010 compared to $4.4 million for the same period last year.

NET EARNINGS

Net earnings were $8.6 million or $0.26 per share ($0.26 per share diluted) compared to $9.1 million or $0.28 per share ($0.28 per share diluted)

SUMMARY OF QUARTERLY RESULTS

		Fiscal 2010			Fiscal 2009				Fiscal 2008
* (million)		March 31 2010	Dec. 31 2009	Sept. 30 2009	Jun. 30 2009	Mar. 31 2009	Dec. 31 2008	Sept. 30 2008	Jun. 30 2008
Contract Revenue * ($)		28.8	23.7	24.4	28.3	27.7	26.1	23.1	24.6
Gross profit * ($)		8.9	7.6	8.0	10.7	9.2	8.6	7.5	8.7
Gross margin %		31.0	32.0	32.8	37.9	33.2	33.1	32.5	35.4
Net Earnings * ($)		3.7	2.4	2.5	3.6	3.2	3.2	2.6	1.4
EBITDA (1) * ($)		7.9	6.0	6.2	7.8	7.3	6.9	6.0	6.3
Net earnings per Common shares ($)	- Basic	0.11	0.07	0.08	0.11	0.10	0.10	0.08	0.06
	- Diluted	0.11	0.07	0.08	0.10	0.10	0.10	0.08	0.05

(1) EBITDA = Earnings before interest, taxes, depreciation and amortization.(see supplemental disclosure)"

Since the third quarter of fiscal 2009, revenue per meter decreased as a direct result of the competitive pricing environment. Despite the difficult market environment, Orbit Garant increased the number of meters drilled in the period, effectively offsetting the price decrease and maintaining revenue although gross margin decreased slightly.

LIQUIDITY AND CAPITAL RESOURCES

OPERATING ACTIVITIES

Cash flow from operations before non cash operating working capital items was $5.1 million in the third quarter of fiscal 2010, compared to $5.6 million in the third quarter of fiscal 2009. During the quarter, the Company recorded a gain on disposal of property plant and equipment of $0.3 million. This amount represents a gain of $0.5 million on the sale of one building, and a loss of $0.2 million relating to disposal of equipment.

INVESTING ACTIVITIES

During the three months ended March 31, 2010, $3.7 million were used for the acquisition of 10 new rigs and support equipment. In addition, the Company also sold its building in Rouyn-Noranda, Quebec for an amount of $1.0 million which generated a gain on sale of property of $0.5 million. This compares with $2.4 million for the acquisition of Forage + in the third quarter of fiscal 2009 and $1.4 million for the acquisition of new rigs and support equipment.

FINANCING ACTIVITIES

Outflow generated from financing activities was $0.1 million for the three months ended March 31, 2010. During the same period of the previous year, the cash flow from financing activities showed outflow of $1.9 million, which was used to repay the bank loan.

The Company believes that it will be able to generate sufficient cash flow to meet its current and future working capital, 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 a re-amended and 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 a 364-day revolving operating facility of up to $7 million to manage working capital requirements throughout the year.

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 $20,000,000 and a revolving, reducing four year term capital expenditure facility for a maximum amount of $6,000,000.

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

OUTSTANDING SECURITIES AS OF MAY 11, 2010

Number of shares	32,738,684
Number of options	1,973,000
Fully diluted	34,711,684

During the second quarter of fiscal 2010 the Company issued 300,000 options at an exercise price of $4.00.

EFFECT OF EXCHANGE RATE

The Company's main exposure to exchange rate fluctuations arose from certain purchases denominated in U.S. dollars which are offset in part by the revenue earned in U.S. dollars related primarily to the surface reverse circulation drilling business. The currency fluctuations, U.S. dollar against the Canadian dollar does not have a significant impact on the financial results of the Company since less than 5% of the Company's revenue is generated in U.S. dollars.

GOODWILL

Goodwill representing the excess of purchase price over fair value of the net identifiable assets of acquired businesses is tested for impairment annually or more frequently when an event or circumstance occurs that indicates that goodwill might be impaired. When the carrying amount exceeds the fair value, an impairment loss is recognized in the statement of earnings in an amount equal to the excess. We conducted our annual goodwill impairment test on June 30, 2009 and concluded that the fair value exceeded the carrying amount. We also concluded that an interim test for impairment was not appropriate since there is no event or change in circumstance that indicates that goodwill might be impaired.

CHANGE IN ACCOUNTING POLICIES

a) Goodwill and Intangible Assets

Effective July 1, 2009, the Company retroactively adopted the new CICA Handbook Section 3064, Goodwill and Intangible Assets, which establishes standards for recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and intangible assets. Standards concerning goodwill are unchanged from the standards included in the previous CICA Handbook Section 3062. The adoption of this new standard did not have a material impact on the Company's consolidated financial statements.

FUTURE ACCOUNTING POLICIES

International Financial Reporting Standards (IFRS):

In 2006, the Canadian Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect the financial reporting requirements applicable to Canadian companies. The AcSB strategic plan outlines the convergence of Canadian accounting standards with international standards (IFRS) over an anticipated five-year transition period. In February 2008, the AcSB announced that 2011 would be the changeover date for public entities to move from Canadian GAAP to IFRS. Consequently, the company's transition date of July 1, 2011 will require the restatement for comparative purposes of amounts reported by the company for its year ending June 30, 2011 and the opening balance sheet as at July 1, 2010.

IRFS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on 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 June 2011.

This conversion plan includes the following processes:

1. Phase I - preliminary analysis
2. Phase II - implementation of a conversion plan
3. Phase III - impacts calculations encrypted conversion

1. *Phase I – Preliminary Analysis*
   - Work to be done
     - The 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 1st 2010, but also to quantify of the effects of initial changes pursuant to IFRS 1 concerning the information to be supplied and 2010 financial statements;
     - An identification, during a preliminary phase, of the main differences expected between the current GAAP of Canada and the IFRS concerning the accounting rules to adopt by the company starting July 1st 2011;
     - The 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 the GAAP may have an impact, such as small print clauses, cash requirements and compensation mechanisms.
   - Progress
     - The company has highlighted, on a qualitative basis, the main differences between Canadian GAAP accounting as applied by the company and the IFRS that it will apply in the future;
     - The company will begin 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.

2. *Phase II – Implementation of a conversion plan (on-going since February 2010)*
   This phase, started several weeks ago, 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.
     - The technical positions documentation, by our team responsible for the production of the financial statements and the 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.

- The 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, focussing 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 documenting the different technical positions applicable as per IFRS, on a comparative basis with GAAP. Management has 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 1st 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.

    As soon as possible during the period ending June 30.
  - *Information technologies and data systems*

    The company did not, at this time, identify any need for change on its systems, considering that the systems currently established allow for the production of financial information compliant with IFRS until September 30 2011, first quarter for which the company will produce interim financial statements as per the new accounting frame. If the company was brought to change its opinion, this information would be included in the first management discussion and analysis concerning the period in which this modification necessity would arise.
  - *Financial restrictive clauses and compensation standards*

    The company is presently evaluating the consequences of the changeover to IFRS on these different elements and will produce additional information for readers of its financial statements when they are known.
  - *Internal control on financial reporting and information disclosure controls and procedures*

    The company, simultaneously to the documentation of its different accounting positions, evaluates the necessity 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.

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.

RISK FACTORS

Risks related to the Company's business and the industry are substantially unchanged and are listed in the annual information form and in the annual report dated September 21, 2009. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently 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.

OUTLOOK

Although recent market conditions have created a challenging operating environment for the drilling industry, Orbit Garant is noticing improvements in demand from major and intermediate customers, as well as select junior companies. This improvement is attributable to the continued increase in the price of commodities and the gradual recovery in global economy.

The Company remains focused on its intermediate and senior company customers that provide greater revenue stability, as well as actively pursuing business opportunities with well financed junior companies.

Orbit Garant's management anticipates demand for drilling services to improve as the prices of gold and base metals continue to improve. The Company plans to add an additional 6 new drills in the fourth quarter of fiscal 2010.

The manufacturing division received orders from third parties to manufacture new drill rigs which, from management's point of view, indicate market conditions are improving.

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

The drilling services market remains fragmented and Orbit Garant continues to search for accretive acquisition transactions that would be beneficial to its shareholders.

Orbit Garant's strong market position and dedication to proven strategies are fundamental to the Company's continued success and position it well for the next market upswing.

SUPPLEMENTAL DISCLOSURE

This report 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 recognized earnings measure under Canadian generally accepted accounting principles ("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 titled measures used by other public companies.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management of the Company is responsible for designing internal controls over financial reporting for the Company as defined under multilateral Instrument 52-109 issued by the Canadian Securities Administrators. Management has designed such internal controls over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with GAAP.

There has been no change in the Company's internal controls over financial reporting that occurred during the most recently completed interim period that has materially affected, or is reasonably likely to materially affect the Company's internal control over financial reporting.