MANAGEMENT’S DISCUSSION AND ANALYSIS
THIRD QUARTER FISCAL 2011
ENDED MARCH 31, 2011

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 nine month periods ended March 31, 2011 as compared with the corresponding period of the previous year and also with the audited consolidated financial statements and MD&A contained in the Company’s annual report for the fiscal year ended June 30, 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 May 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.

THIRD QUARTER FISCAL 2011 HIGHLIGHTS

- Total revenue of $33.4 million compared to $28.8 million in the comparable quarter of fiscal 2010, an increase of 16.0%

- Total meters drilled of 368,144 completed in the third quarter, up by 4,4% from 352,602 in Q3 of fiscal 2010;

- An expanding fleet of 176 drill rigs, including the addition of eight new drill rigs from the manufacturing division;

- Working capital of $ 39.9 million as of March 31, 2011;

- Capital expenditures of $ 6.4 million to support growth in business activity;

CORPORATE OVERVIEW

From its head office in Val-d'Or, Quebec, Orbit Garant manages a fleet of 176 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.

In the second quarter of the fiscal year 2011, the Company acquired all the issued and outstanding shares of 1085820 Ontario Limited (doing business as Advantage Control Technologies) based in Sudbury, Ontario, and specialized in the development of new technologies for mineral drilling in Canada. The Company also acquired all the issued and outstanding shares of Morris Drilling Inc., a surface diamond drilling business also located in Sudbury, Ontario.

The legal corporate name of 1085820 Ontario Limited was changed on February 8, 2011 to Orbit Garant Ontario Inc. (Orbit Garant Ontario) and included the diamond drilling business of Morris Drilling Inc.

The Company has three operating segments: Drilling Canada (including domestic surface drilling and underground drilling), Drilling International and Manufacturing Canada. The results of operations of Orbit Garant Ontario are included, in manufacturing and domestic surface drilling revenues in this third quarter fiscal 2011.

On February 1, 2011 the Company disposed of its investment of 40% in 6483976 Canada Inc. (Usinage X-SPEC).

Specialized drilling services, which generate a higher gross margin than conventional drilling services, account for approximately 54 % of the Company's total revenue.

The Company provides both surface and underground drilling services, which account for approximately 65% and 35% 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 83% of the Company's revenues generated in Canada. The Company also operates in the USA, Mexico, Suriname and Guyana. Approximately 98% of the revenue is in Canadian dollars, which provides greater stability.

Approximately 67% of the Company's customers are major and intermediate-sized mining companies, with which the Company has contracts of one to three years in length.

BUSINESS STRATEGY

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

- Focusing primarily on major and well financed intermediate mining and exploration companies operating in stable jurisdictions;
- Providing conventional and specialized drilling services;
- Manufacturing drills and equipment to fit the needs of customers;
- Maintaining a strong commitment to R&D and advanced drilling technologies;
- Providing training courses for the Company's personnel, to continuously improve labour efficiency and 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 customers; and
- Expanding its bases of operations in strategic regions, such as Orbit Garant Ontario, based in Sudbury, Ontario.

Industry Overview

Demand for services in the drilling industry is driven by conditions in the global gold and base metal markets. The strength of demand is determined by commodity price levels and the availability of capital to finance exploration and development programs and/or ongoing mining operations. Although there remains uncertainty in the overall economic recovery and the current state of financial markets, the upward trend of commodity prices through 2010 is continuing. Record gold prices, combined with ongoing improvement in base metal pricing, have created strong and steady demand for drilling services.

Metals Economics Group (MEG), which monitors and tracks trends in mining, found that confidence levels within the industry are high, with the majority of industry participants believing that the demand for metals and minerals will continue to rise, supporting sustained high price levels. This supports solid demand for drilling services in the short and intermediate terms. In the longer term, increasing global demand, particularly from the emerging economies of the BRIC nations (Brazil, Russia, India and China), combined with the lack of significant new discoveries, will require exploration for new deposits or the expansion of drilling activity on existing deposits; leading to increased demand for drilling services.

Gold

The price of gold continues to be strong, rising from US$561.50 per ounce approximately five years ago to an all time high of US$1,565.70 per ounce in late April 2011. With prices rising more quickly than production costs, gold producers are experiencing higher levels of free cash flow than forecasted.

In addition, according to a report published by PricewaterhouseCoopers LLP, ***2010 Global Gold Price Survey Report*****;** 82% of gold producers are forecasting their production levels to increase in 2011. This is expected to further contribute to very strong cash flows for the industry.

Despite rising prices, mine supply growth has been modest and output has only recovered to the 2001 peak level. Many gold producers plan on using their cash reserves to explore new projects or expand existing deposits in efforts to replace or replenish reserves. MEG reports that, since 1997, replacement of gold reserves through exploration may not have been sufficient to meet future demand. As gold companies focus on exploration and mine expansion, demand for drilling and drilling services is expected to continue to be robust.

Base Metals

Base metal prices have been supported by increasing global demand, supply disruptions and heightened investor interest. The price of copper, widely considered a proxy for overall base metal prices, has risen steadily since the market began its recovery two years ago, although there has been some recent volatility. Base metal prices have been supported by strong demand from China and India, supply disruptions and increasing demand from other developing countries.

Increased demand has brought balance to the market over the past 18 months. However, with increasing demand and new supply slow to come on stream, the supply/demand balance is expected to be favourable, resulting in solid pricing and steady demand for drilling services.

Market Participants

With improved commodity prices since the market bottomed in early 2009, the mining industry has become increasingly healthy. Many large companies, which have increased reserve levels in recent years only through upgrades at existing mines and/or M&A activity, are ramping up exploration budgets. 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 MEG, for the past nine years, Canada has been second to the United States in terms of exploration spending. Canada attracted $2.2 billion or 19% of worldwide nonferrous exploration allocations in 2010, and greater exploration spending has continued into the current year. Of that spending, four provinces (Quebec, Ontario 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.

OVERALL PERFORMANCE
RESULTS OF OPERATION – THIRD QUARTER ENDED MARCH 31, 2011

THIRD QUARTER ENDED MARCH 31 * ($ millions)	Fiscal 2011 Quarter 3	Fiscal 2010 Quarter 3	2011 vs. 2010 Variation	Variation (%)
Revenue * ($)	33.4	28.8	4.6	16.0
Gross profit * ($)	8.6	8.9	(0.3)	(3.9)
Gross margin (%)	25.7	31.0	(5.3)	(17.1)
EBITDA * ($) (1)	6.1	7.9	(1.8)	(23.2)
Meters drilled	368,144	352,602	15,542	4.4
Net earnings * ($)	2.4	3.7	(1.3)	(34.2)
Net earnings per common shares - Basic ($)	0.07	0.11		
- Diluted ($)	0.07	0.11		

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

REVENUES

THREE MONTHS ENDED MARCH 31, 2011 COMPARED TO THREE MONTHS ENDED MARCH 31, 2010

CONTRACT REVENUE	Three months ended March 31, 2011			Three months ended March 31, 2010		
Segmented information *($ millions)	Revenue ($)	Gross profit ($)	Gross margin (%)	Revenue ($)	Gross profit ($)	Gross margin (%)
Drilling Canada *	26.8	5.4	20.3	26.8	8.3	31.0
Drilling International *	5.6	2.7	47.2	2.0	0.6	30.7
Manufacturing Canada *	1.0	0.5	46.1	---	---	---
	33.4	8.6	25.7	28.8	8.9	31.0

The Company's continued growth is reflected by the increase in the number of meters drilled: 368,144 in Q3 fiscal 2011, compared to 352,602 in Q3 fiscal 2010 and by the addition of eight new drill rigs during the quarter.

During the three month period ended March 31, 2011, the Company recorded contract revenue of $33.4 million compared to $28.8 million in the third quarter of fiscal 2010, representing an increase of $4.6 million, or 16.0%. The average revenue per meter was $87.94 in Q3 fiscal 2011, compared to $81.70 for the same period in fiscal 2010. The increase in revenue per meter was related to prevailing higher prices on international drilling contracts and price increases associated with new contracts in Canada.

Domestic surface drilling contract revenue increased to $15.3 million in Q3 fiscal 2011, compared to $14.9 million in Q3 fiscal 2010, representing an increase of $0.4 million, or 2.4%.

Underground drilling contract revenue decreased to $11.5 million in Q3 fiscal 2011, compared to $11.9 million in Q3 fiscal 2010, a decrease of 3.8%, a result of the competitive pricing environment in this segment of the Company's business.

International drilling contract revenue increased to $5.6 million in Q3 fiscal 2011 from $2.0 million for the same period in fiscal 2010. The increase of $3.6 million is attributable to the increase in meters drilled from actual contracts.

Manufacturing Canada generated $1.0 million of revenue for Q3 fiscal 2011, compared to negligible revenue in Q3 fiscal 2010. During the third quarter of 2011, Soudure Royale and Orbit Garant Ontario manufactured equipments, supplies and maintenance services for the Company and third parties.

GROSS MARGIN

Overall gross profit in the third quarter of fiscal 2011 was $8.6 million, compared to $8.9 million in the comparable quarter of fiscal 2010, a decrease of $0.3 million or 4.0%. Gross margin for Q3 fiscal 2011 was 25.7% compared to 31.0% for the same period fiscal 2010. The year-over-year decline reflected incremental expenses related to growth, including start-up costs for new projects and the hiring of new, less-experienced drillers, as well as some one-time costs related to extreme weather conditions on some drill sites and a fire on one site. For health and safety reasons, the Company had to remove personnel from the site where the fire took place. Orbit Garant expects revenue growth to remain solid and prices to improve as long term contracts come due for renewal. Margins continue to be impacted in the short term by the hiring, training and mobilization of new drilling crews. However, as the new crews continue to develop, management expects profit margins should begin to return to historical levels.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses were $2.7 million in the third quarter of 2011, compared to $1.7 million in the comparable period in 2010. G&A expenses represented 8.0% of sales during Q3 2011, compared to 5.9% for the same period in fiscal 2010, reflecting increased spending to facilitate the Company's future growth.

AMORTIZATION

Amortization of property, plant and equipment was $1.9 million in the third quarter of fiscal 2011, compared to $1.4 million in the same period in fiscal 2010. The increase resulted primarily from the acquisition of new drills and equipment.

Amortization of intangible assets was $0.4 million in the third quarter of fiscal 2011, compared to $1.1 million in the comparable quarter in fiscal 2010 as some intangible assets were fully amortized and some were added due to recent business acquisitions.

INCOME TAXES

Income taxes were $1.2 million in the third quarter of fiscal 2011, compared to $1.6 million in the third quarter of fiscal 2010.

NET EARNINGS

Net earnings in the third quarter of fiscal 2011 totalled $2.4 million, or $0.07 per common share ($0.07 per share diluted), compared to $3.7 million or $0.11 per common share ($0.11 per share diluted) in the comparable period in 2010. This decrease is primarily attributable to the decline in gross margin and increased G&A expenses.

EBITDA (see SUPPLEMENTAL DISCLOSURE)

EBITDA was $6.1 million in the third quarter of 2011, compared to $7.9 million in the same period of the prior year, a decrease of $1.7 million, or 23.2%. EBITDA in the third quarter of fiscal 2011 represented 18.2% of sales, compared to 27.4% of sales in Q3 2010. This decrease is primarily attributable to the decline in gross margin and the increased G&A expenses.

OVERALL PERFORMANCE

RESULTS OF OPERATION:

NINE MONTHS ENDED MARCH 31, 2011 COMPARED TO NINE MONTHS ENDED MARCH 31, 2010

NINE MONTHS ENDED MARCH 31 * ($ millions)	2011	2010	Variation	Variation (%)
Revenue * ($)	86.7	76.9	9.8	12.8
Gross profit * ($)	23.3	24.5	(1.2)	(5.0)
Gross margin (%)	26.8	31.9	(5.1)	(16.0)
EBITDA * ($) (1)	17.1	20.1	(3.0)	(14.4)
Meters drilled	986,807	919,437	67,370	7.3
Net earnings * ($)	7.4	8.6	(1.2)	(13.2)
Net earnings per common shares - Basic ($)	0.22	0.26		
- Diluted ($)	0.22	0.26		

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

REVENUES

RESULTS OF OPERATIONS – NINE MONTHS ENDED MARCH 31, 2011

CONTRACT REVENUE	Nine months ended					
	March 31, 2011			March 31, 2010		
Segmented Information * ($ millions)	Revenue ($)	Gross profit ($)	Gross margin (%)	Revenue ($)	Gross profit ($)	Gross margin (%)
Drilling Canada *	72.8	16.4	22.6	70.7	22.6	31.9
Drilling International *	11.7	6.0	51.1	6.1	1.8	30.3
Manufacturing Canada *	2.2	0.9	39.1	0.1	0.1	76.3
	86.7	**23.3**	**26.8**	**76.9**	**24.5**	**31.9**

Revenues totalled $86.7 million for the nine month period ended March 31, 2011 an increase of $9.8 million or 12.8% from $76.9 million during the comparable period last year.

Drilling Canada revenues were $72.8 million, an increase of $2.1 million or 3.0% compared to $70.7 million for the same period last year, due to the increase in demand for drilling services.

Drilling International revenues were $11.7 million for the nine months ended March 31, 2011 compared to $6.1 million in the comparable period a year ago. This increase of $5.6 million, or 91.5%, is attributable to the increase in meters drilled from ongoing and new contracts in 2011.

Manufacturing Canada revenues were $2.2 million, the nine months ended March 31, 2011, an increase of $2.1 million from the comparable period a year ago. This increase is attributable to higher demand for new drills and maintenance contract services.

GROSS MARGIN

Overall gross profit for the first nine months of fiscal 2011 was $23.3 million, a decrease of $1.2 million, or 5.0%, from $24.5 million in the comparable period of 2010. Gross margin for the first nine months of fiscal 2011, was 26.8% compared to 31.9% for the corresponding period last year. The decrease reflected competitive pricing in the first half of the year, as well as some one-time costs related to extreme weather conditions on some drill sites and a fire on one site.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses were $6.4 million in the nine month period ended March 31, 2011 compared to $5.1 million for the same period last year. G&A expenses represented 7.4% of sales during the first nine months of fiscal 2011, compared to 6.6% of sales for the same period in fiscal 2010. Increased G & A expenses facilitated the Company's revenue growth.

AMORTIZATION

Amortization of capital assets was $5.1 million the nine month period of fiscal 2011 compared to $3.9 million for the corresponding period in fiscal 2010, reflecting increased investment in equipment.

Amortization of intangible assets was $1.0 million for the first nine months of fiscal 2011, compared to $3.3 million for the first nine months of 2010 as some intangible assets were fully amortized and some were added due to recent business acquisitions.

FINANCIAL EXPENSES

Interest costs related to long-term debt and bank charges were $0.3 million in the first nine months of fiscal 2011, in line with the comparable period in fiscal 2010.

INCOME TAXES

Income taxes were $3.3 million in the first nine months of fiscal 2011 compared to $4.0 million for the same period last year.

NET EARNINGS

Net earnings in the nine month period of fiscal 2011 were $7.4 million or $0.22 per share ($0.22 per diluted share compared to $8.6 million or $0.26 per share ($0.26 per diluted share) for the corresponding period in fiscal 2010.

EBITDA (see SUPPLEMENTAL DISCLOSURE)

EBITDA was $17.1 million for the first nine months of fiscal 2011, compared to $20.1 million in the same period of the prior year, a decrease of $3.0 million, or 14.8%. EBITDA in the first nine months of fiscal 2011 represents 19.8% of sales, compared to 26.2% of sales in the corresponding period in fiscal 2010.

SUMMARY OF QUARTERLY RESULTS

		Fiscal 2011			Fiscal 2010				Fiscal 2009
* ($millions)		March 31	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30
Contract revenue * ($)		33.4	25.9	27.4	33.1	28.8	23.7	24.4	28.3
Gross profit * ($)		8.6	7.5	7.1	9.1	8.9	7.6	8.0	10.7
Gross margin %		25.7	29.1	26.1	27.6	31.0	32.0	32.8	37.9
Net earnings * ($)		2.4	2.7	2.2	4.0	3.7	2.4	2.5	3.6
EBITDA (1) * ($)		6.1	5.8	5.3	7.8	7.9	6.0	6.2	7.8
Net earnings per Common shares ($)	- Basic	0.07	0.08	0.07	0.12	0.11	0.07	0.08	0.11
	- Diluted	0.07	0.08	0.07	0.12	0.11	0.07	0.08	0.10

(1) 00.10EBITDA = Earnings before interest, taxes, depreciation and amortization. (See “Supplemental Disclosure”)

LIQUIDITY AND CAPITAL RESOURCES

OPERATING ACTIVITIES

Cash flow from operations before non-cash operating working capital items was $4.7 million in the third quarter of fiscal 2011, compared to $5.1 million in the third quarter of fiscal 2010. During the quarter, the Company recorded a gain on disposal of a long-term investment of $0.2 million. The third quarter of fiscal 2010 included a gain on disposal of property, plant and equipment of $0.3 million.

The use of cash and non cash working capital items is mainly due to the increase of receivables and inventories. These increases are attributable to increased drilling activities and the difficulty in replenishing consumable products; which in turn demands larger orders to ensure sufficient supplies to meet operational requirements.

INVESTING ACTIVITIES

Cash used in investing activities totalled $5.9 million for the three month period ended March 31, 2011, compared to $2.7 million in the third quarter of fiscal 2010. During the third quarter of fiscal 2011, $6.4 million was used for the acquisition of property, plant and equipment, including new rigs and support equipment. This compares with $3.7 million for the acquisition of new rigs and support equipment for the same period in fiscal 2010.

On February 1, 2011 the Company disposed of its investment in 6483976 Canada Inc. (Usinage X-SPEC) for consideration of $898,000, plus an amount corresponding to 40% of the increase in retained earnings during the period between February 1, 2010 and January 31, 2011. Net consideration of $527,716 was received on February 1, 2011 and the balance will be received no later than September 2011.

FINANCING ACTIVITIES

Cash flow generated from financing activities was $3.0 million for the three months ended March 31, 2011, resulting primarily from the bank loan of $3.1 million to support the Company growth. During the same period of the previous year, cash flow from financing activities showed outflow of $0.1 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 property, plant and 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 Compagny is in the process of renewing its credit agreement, which should be completed by May 31, 2011.

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 $12.1 million and a revolving, reducing four-year term capital expenditure facility for a maximum amount of $2.7 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 March 31, 2011, the Company had future contractual obligations as follows:

	Total ($)	Less than 1 year ($)	2-3 years ($)	4-5 years ($)
Bank loan	4, 500,000	4, 500,000	—	—
Long-term debt	6, 379,384	187,236	6, 192,148	—
Operating leases	976,051	216,852	403,053	356,146
Client deposits	841,773	841,773	—	—
Other long-term obligations	—	—	—	—
Total	12, 697,208	5, 745,861	6, 595,201	356,146

OUTSTANDING SECURITIES AS OF MAY 9, 2011

Number of shares	33,044,437
Number of options	2,338,000
Fully diluted	35,382,437

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 (IFRS)

In 2009, the Accounting Standards Board of Canada (AcSB) confirmed that Canadian GAAP for publicly accountable enterprises would be replaced by International Financial Reporting Standards (IFRS,) effective January 1, 2011. IFRS use a conceptual framework similar to Canadian GAAP, but with considerable differences in the recognition, measurement and disclosures. The Company expects the transition to the IFRS will have an impact on financial reporting, the operational process, and the reporting systems.

For the Company, the conversion to IFRS will be required for the financial statements for periods beginning on or after July 1, 2011. The comparative data must be restated to comply with IFRS. Consequently, the Company has developed an IFRS conversion plan addressing the main elements, including: financial reporting, operations, systems and procedures, internal controls, communication and training.

This conversion plan consists of three phases:

Phase I – Preliminary analysis
Phase II – Implementation of a conversion plan
Phase III - Calculation of the encrypted impact of the conversion

The following table summarizes the main activities and the progress of the Company's conversion project:

Phase I – Preliminary analysis	
Work involved	**Progress**
Analyze the differences between the Canadian standards currently applied and the IFRS used to identify the impacts related to the implementation of the new IFRS framework.	The Company has finished, on a qualitative basis, identifying the differences between the accounting policies currently used by the Company and the applicable IFRS. For the Company, the main differences lie in IFRS 2, IFRS 3 and IAS 21.
Analyze the impact associated with the application of IFRS 1, *First-time adoption of International Financial Reporting Standards,* including the identification of the choices and exemptions applicable to the Company when IFRS are retroactively applied as at July 1, 2010.	The Company has completed the documentation, on a qualitative basis, of the main choices to adopt and exemptions from adopting retroactive application of IFRS.
Quantify the qualitative impacts following the analysis of the new accounting framework applicable to the Company's opening balance sheet on July 1, 2010.	The Company has started quantifying the differences raised and the choices made.
Assess the impact of the change in accounting framework on: 1) The information technologies and reporting systems 2) Internal controls regarding financial reporting; 3) Controls and procedures regarding communication of information with third parties; 4) The required expertise concerning financial reporting; 5) Business operations and the elements on which the Canadian GAAP compliance measures could have a legal or regulatory impact on cash needs and compensation mechanisms.	***Information technologies and data systems*** To date, the Company has not needed to adjust its existing systems because produce financial information in accordance with IFRS up to September 30, 2011, the first quarter for which the Company will produce interim financial statements based on the new accounting framework. If the Company changes its opinion on this point, this information would be included in the first Management's Discussion and Analysis for the period in which this amendment would be required. ***Restrictive financial clauses and compensation standards*** The Company is currently assessing the impacts of transitioning to IFRS on these different elements and will provide readers with additional information on its financial statements, when these impacts are known. ***Internal controls concerning financial reporting, controls and procedures regarding communication of information*** The Company, while documenting its different accounting positions, is assessing the need to adjust its processes regarding internal controls and communication of the

	financial information. If it becomes apparent that an amendment is required, these processes will be adjusted to correctly apply IFRS and ensure that the existing present controls are effective. To date, no internal controls have been adjusted.
Phase II – Implementation of a conversion plan ***(since February 2010)***	
Work involved	**Progress**
Develop training materials centered on the IFRS applied to the Company, intended for the personnel responsible for writing the financial statements.	Training sessions on IFRS, targeting the theoretical differences between Canadian GAAP and IFRS, were offered to all personnel responsible for producing the Company's future financial statements in accordance with IFRS, and to certain members of the audit committee. To date, the training sessions have all taken place.
Document the technical positions prepared by the team in charge of producing the financial statements and validated by the Company's management of the different accounting positions that the Company will adopt, in IFRS 1, and also in the other IFRS applicable to the Company, aimed at quantifying, at a subsequent date, ("Phase III") the impact related to the application of these standards.	The Company is currently documenting the different applicable technical positions according to IFRS, in contract to Canadian GAAP. Management's set objective is that the documentation on the key elements will be ready on June 30, 2011, in order to start preparing: • the opening balance sheet as of July 1, 2010; • the financial information for 2010 in accordance with IFRS (including the notes to financial statements) to submit the comparative quarterly and annual information for the 2010-2011 period. To provide a more comprehensive analysis of the potential accounting differences between Canadian GAAP and IFRS, the period in which an analysis is performed on key IFRS that impact the Company's financial statements has been extended until the end of the year ending June 30, 2011.
Phase III – Calculation of the encrypted impact of the conversion	
Work involved	**Progress**
Implementation of the calculations of the encrypted impacts on the conversion from Canadian GAAP to IFRS.	Analysis of IFRS and differences from Canadian GAAP currently used by the Company, versus the IFRS that have been documented for the majority. There are still several that remain to be completed.
Preparation of the comparative quarterly financial statements for the year ending June 2011.	The quarterly financial statements will be prepared during the last quarter of 2011.

Initial choices at adoption

Adoption of IFRS by the Company requires implementation of the IFRS1, *First-time adoption of International Financial Reporting Standards,* which provides indications regarding an entity's initial adoption of IFRS. Generally, IFRS 1 requires that an entity applies, retrospectively, all IFRS in effect at the end of the first adoption period. However, as part of this general requirement, IFRS 1 provides certain mandatory exceptions and limited optional exemptions in specific areas in order to facilitate the transition to IFRS.

The following table provides a summary of the principal exemptions contained in IFRS 1, which the Company expects to override, at the transition date, i.e., on July 1, 2010:

Scope	Exemption summary
Business Combinations	A newly converted business can decide not to retrospectively apply IFRS 3, Business Combinations to former business combinations (business combinations that occurred prior to the transition to IFRS). However, if a newly converted business withdraws a business combination to comply with IFRS 3, (revised in 2008) it must withdraw all business combinations as of this same date. The Company has chosen not to withdraw prior acquisitions on the date of the transition to the IFRS, which is July 1, 2010.
Foreign Exchange	The Company has elected to use the exemption so as not to recognize in other comprehensive income the effect of the conversion in the former international divisions, at the date of the adoption of IFRS. The accumulated balance at the transition date will therefore be withdrawn.
Share-based Payment	According to IFRS 1, a first-time adopter is encouraged, but not obligated, to apply IFRS 2, Share-based payment, regarding equity instruments granted on or before November 7, 2002. A first-time adopter is also encouraged, but not required, to apply IFRS 2 to equity instruments granted on or after November 7, 2002 and acquired before the transition date to IFRS, on July 1, 2010. The Company has decided to resort to this exemption and not withdraw these grants. For the equity instruments granted after November 7, 2002 and not acquired as at July 1, 2010, the Company will be required to apply IFRS 2 retrospectively to these grants.

The quantification of the impacts following these choices will be finalized by the Company based on the results of the quarter ending June 30, 2011. The Company does not expect the implementation of these choices to have any significant impact on the results presented in its opening balance sheet following the adoption of IFRS.

The Company will continue to monitor the changes made to IFRS during the implementation process and will assess their impacts on the Company and its financial reporting.

The table below shows the main differences between Canadian GAAP and IFRS having a significant impact on the Company's consolidated financial statements. The cumulative retroactive effect resulting from the differences between the existing accounting policies and the new accounting policy applied retrospectively at the date of adoption to IFRS, will be recorded on the opening balance of retained earnings in the Company's opening balance sheet at the date of transition to IFRS.

IFRS	Impact of the adoption
IFRS 3 – Business Combinations	**Shares issued in consideration of the cost of purchase** *Canadian GAAP* – The shares issued in consideration of a acquisition are valued based on their quoted market price, a few days before or after the date on which the parties agreed on the price and when the proposed transaction was announced. *IFRS* - The issued shares in consideration are valued at their quoted market price on the date on which the purchase is concluded. **Conditional consideration** *Canadian GAAP* –The conditional consideration is recognized as an integral part of the cost of purchase, but only when it is possible to reasonably estimate and establish, without a reasonable doubt, that the condition will be satisfied.

	IFRS – The conditional consideration is recognized as an integral part of the cost of purchase on the date of the purchase, if it is likely that the condition will be satisfied and that it is possible to reliably value the amount at its fair value. The changes in the initially recorded amount are carried to the result and the future cash payment discounts are amortized by being carried to the interest expense. **Acquisition-related costs** *Canadian GAAP* – The buyer's costs are recorded as an integral part of the purchase cost. *IFRS* – These costs are recorded as expenses. **Valuation of the share of non-controlling shareholders** *Canadian GAAP* – The share of non-controlling shareholders is valued at the original cost, i.e., the carrying value of the acquired company at the time of purchase. *IFRS* – The share of the non-controlling shareholders is valued at its fair value. The Company may elect to measure the fair value according to the purchase price or based on the fair market value. Impact of the transition: none Expected future impact: Impact of costs of purchase, valuation of shares issued in consideration of costs of purchase and conditional consideration.
IFRS 2 – Share-based Payment	**Expense recognition** *Canadian GAAP* –The fair value of the share-based grants with a gradual vesting condition is recognized based on the straight-line method over the vesting period. *IFRS* – Each portion of allotment grant is considered allotment separate grant and the compensation cost is amortized on the basis of each of these portions (diminishing). Impact of the transition: Calculation of the compensation expense using the diminishing-balance method for options granted in the last four years. Expected future impact: Application of the diminishing-balance method for all the new granted options.
IAS 16 – Property, Plant and Equipment	**Valuation after initial recognition** *Canadian GAAP* – Property, plant and equipment must be presented at the purchase cost, net of accumulated amortization and of all previous depreciation. *IFRS* – There is a choice regarding subsequent valuation. The entity can present property, plant and equipment at net cost of the accumulated depreciation and of any depreciation or at fair value. **Replacement cost** *Canadian GAAP* – The incurred costs to increase the service potential of property, plant and equipment represents an improvement and are included in the cost of the property, plant and equipment.

	IFRS – Any replacement of the property, plant and equipment of which the expected future benefits exceed the following accounting period, is included in the cost of the property, plant and equipment. The replaced item is subject to derecognition. **Amortization** *Canadian GAAP* – The cost of property, plant and equipment is comprised of significant, separate components, and is allocated between these items when it is reasonably possible to do so and if the life span of each of these components may be subject to an estimate. The amortization expense starts as soon as the asset is ready to be used. *IFRS* - Each part of property, plant and equipment with a significant cost compared to the total cost of a component must be amortized separately. The amortization expense starts as soon as the asset is ready to be used. Impact at transition: The Company will not revalue its property, plant and equipment at fair value because the recorded costs to date, represent the nearest fair value. Recognition by component of property, plant and equipment will be applied. Expected future impact: For the building, the amortization expense will start as soon as the building is ready to be used. If required, interest will be capitalized on the basis of IAS 23.
IAS 38 – Intangible Assets	**Initial observation** *Canadian GAAP* – At cost. The valuation at fair value is prohibited. *IFRS* – Cost valuation method or revaluation at fair value only if there exists an active market. Impact at transition: none Expected future impact: none
IAS 36 – Impairment of Assets	Impairment of Assets *Canadian GAAP* – The carrying value of a long-term asset is not recoverable if it exceeds the total undiscounted cash flows which will likely result in the use and the eventual exclusion of the asset. When this happens, the cost is brought back to its fair value. *IFRS* – An asset must be recognized at the lesser of its carrying value and its recoverable value. The recoverable value of an asset is the higher value between the fair values, less the sale costs of its value in use. The value in use is the present value of the expected future cash flows of an asset or of a cash-generating unit. A reversal of a write-down of an asset other than goodwill must be immediately recognized in profit. Impact at transition: none Expected future impact: The depreciation test under IFRS might result in loss or plus-value more frequently.

IAS 37 – Provisions, Contingent Liabilities and Contingent Assets	**Valuation** *Canadian GAAP* –There is no separate term for differentiating between contingent liabilities and provisions. A contingent liability is recognized when its realization is probably (greater than 70% in practice). No contingent liability is known if the amount is undetermined. *IFRS* – According to IFRS, liability provision is known when the probability of realization is greater than 50%. In rare cases, it is not possible to estimate the contingent liability. The loss on an "in deficit" contract must be accounted for at the time it is discovered. There are definitions for the terms provision and eventual liability and for the provisions, the accounting criteria are listed. The provisions must be presented separately from the liabilities. Impact at transition: none Expected future impact: Contingent liabilities related to business combinations must be analyzed to determine if they meet the definition of provision.
IAS 21 – The Effects of Changes in Foreign Currency Rates	**Translation** *Canadian GAAP* – Distinction made between two types of foreign operations; integrated foreign operations and self-governing foreign operations. These foreign operations are converted according to two separate methods. The notions of monetary or non-monetary assets and liabilities are used. Translation methods at the current rate, the historical rate and at the average rate in a period are used. *IFRS* –IFRS do not distinguish between the different types of foreign activities. The relationship between the entity and its foreign activity constitutes a factor in determining the functional currency. For consolidation purposes, the financial statements of a foreign activity are translated using the following method: assets and liabilities are translated at the closing rate, income and expenses at the average rate of the period. If the economy is hyperinflationary, adjustments related to the present purchasing power is carried to the financial statements before the translation. Impact at transition: None; the translation difference amounts are brought to zero. Expected future impact: Variable, because the IFRS translation method differs from the method currently used according to Canadian GAAP
IAS 12 – Income Taxes	**Acquisition of an asset other than in a business combination** *Canadian GAAP* – When the tax basis of an asset differs from the accounting basis at the time of acquisition, the cost of the asset is adjusted while taking into consideration the future related tax. *IFRS* – The future tax cannot be recognized when the acquisition of an asset is not acquired as part of a business combination. **Business Combinations** *Canadian GAAP* –The future tax assets with a probable realization at the time of acquisition are an integral part of the acquisition equation. *IFRS* – The future tax assets with a probable realization at the time of acquisition are addressed as a transaction separate from the combination.

	Impact at transition: The differed taxes in the opening balance sheet will also be adjusted to recognize the changes in the other accounting standards at the time of conversion to IFRS.
IAS 1 – Presentation of Financial Statements	Format differences and additional disclosures in the accompanying notes to the financial statements are required according to IFRS.

The Company continues to closely monitor the development of the major differences between Canadian GAAP and IFRS during the implementation process and to measure the impact on the Company and its financial reporting.

The preparatory work done on the transition to IFRS is progressing according to plan. The adjustments expected in the financial statements at the time of adoption of IFRS will be carried out. The Company is confident that the transition will be done in accordance with the requirements.

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 May 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

In both the short and long-term, the mining industry outlook remains positive, with increasing demand from developing countries providing the largest impetus. For instance, China now has a significant impact on global demand and commodity prices. The lack of new discoveries, shortage of labour and other supply issues affecting traditional markets are all contributing to constraints in supply. However, mining companies generally have healthy balance sheets, which will allow the necessary investments to ramp-up production and exploration programs.

With this positive industry outlook, Orbit Garant expects utilization rates to remain high, which in turn will result in stronger pricing. The Company's subsidiary, Soudure Royale, can build rigs quickly, enabling Orbit Garant to continue to meet additional capacity requirements. However, the Company's ability to improve margins will in part, be a function of its success in managing a possible shortage of labour and related productivity issues. In this regard, Orbit Garant's "Driller and Driller-helper Training Program" will become increasingly important to the Company's success. In addition, the Company's focus on technology improvements, by the acquisition of Advantage Control Technologies; will also be an important contributor to future profitability.

With its strong balance sheet, leading position in Quebec, and growing presence in Ontario through the Company's new office in Sudbury Ontario; management believes Orbit Garant will continue its growth in 2011 and beyond. As the mining industry grows and Canada continues to attract new spending, Orbit Garant intends to build on its organic growth in these target regions through its proven, targeted acquisition program.

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 is 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 March 31, 2011, there have been no significant changes to the ICFR and no change in the assessment of the effectiveness of the Company's ICFR. Accordingly, the CEO and CFO have concluded that the design and operation were effective at a reasonable assurance level as of the end of the period covered by this report.