FORAGE ORBIT GARANT DRILLING

Audited consolidated financial statements




June 30, 2010

Management's responsibility for financial reporting

The accompanying consolidated financial statements of Orbit Garant Drilling Inc. (the "company") and all the information in this annual report are the responsibility of the management of the company. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and, where appropriate, include management's best estimates and judgments. Management has reviewed the financial information presented throughout this report and has ensured that it is consistent with the consolidated financial statements.

Management maintains the required system of internal controls designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and the integrity and fairness of the financial information is ensured. In addition, management has reviewed the company's disclosure controls and procedures, which are designed to ensure the quality and timeliness of the disclosures made to the public.

The Board of Directors of the company is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board of Directors carries out this responsibility principally through the Audit Committee. The Board of Directors appoints the Audit Committee, and all of the members of the Audit Committee are independent members of the Board of Directors. The Audit Committee meets periodically with management and the shareholders' auditors to review internal controls, audit results and accounting principles. Acting on the recommendation of the Audit Committee, the consolidated financial statements are forwarded to the Board of Directors of the company for its approval.

Samson Belair/Deloitte & Touche s.e.n.c.r.l., an independent firm of chartered accountants, has been appointed to express an independent professional opinion on the fairness of the consolidated financial statements. Samson Belair/Deloitte & Touche s.e.n.c.r.l. has full and free access to the Audit Committee.

Pierre Alexandre
Chief Executive Officer

FCGA

Alain Laplante FCGA
Vice-President and Chief Financial Officer

Val-d'Or, Québec
September 21, 2010

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Auditors' report

To the shareholders of
Orbit Garant Drilling Inc.

We have audited the consolidated balance sheets of Orbit Garant Drilling Inc. as at June 30, 2010 and 2009 and the consolidated statements of earnings and comprehensive income, retained earnings, accumulated other comprehensive loss and contributed surplus and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Samson Bélair
Deloitte & Touche s.e.n.c.r.l. [1]

August 20, 2010

[1] Chartered accountant auditor permit n° 9138

ORBIT GARANT DRILLING INC.
Consolidated statement of earnings and comprehensive income
Year ended

	June 30 2010	June 30 2009
	$	$
CONTRACT REVENUE	109,957,529	105,162,812
COST OF CONTRACT REVENUE	76,334,859	69,079,130
GROSS PROFIT	33,622,670	36,083,682
EXPENSES		
General and administrative	6,567,105	7,969,915
Amortization of property, plant and equipment	5,454,638	4,387,429
Amortization of intangible assets	3,934,778	4,338,364
Foreign exchange losses (gain)	13,626	(74,636)
Gain on disposal of property, plant and equipment	(460,412)	-
Other-than-temporary impairment on long-term investments	-	303,687
Interest on long-term debt	230,714	344,122
Interest and bank charges	89,411	218,075
	15,829,860	17,486,956
EARNINGS BEFORE THE FOLLOWING ITEMS	17,792,810	18,596,726
SHARE IN NET EARNINGS OF A COMPANY SUBJECT TO SIGNIFICANT INFLUENCE	404,365	77,316
EARNINGS BEFORE INCOME TAXES	18,197,175	18,674,042
INCOME TAXES (Note 14)		
Current	6,959,157	7,722,516
Future	(1,349,182)	(1,638,240)
	5,609,975	6,084,276
NET EARNINGS	12,587,200	12,589,766
OTHER COMPREHENSIVE INCOME		
Unrealized losses on available-for-sale investments	-	(9,163)
Reclassification to earnings of other-than-temporary impairment on long-term investments	-	43,687
	-	34,524
COMPREHENSIVE INCOME	12,587,200	12,624,290
Earnings per share (Note 13)		
Basic	0,38	0,39
Diluted	0,38	0,38

See accompanying notes.

ORBIT GARANT DRILLING INC.

Consolidated statement of retained earnings, accumulated other comprehensive loss and contributed surplus

Year ended

	June 30 2010	June 30 2009
	$	$
STATEMENT OF RETAINED EARNINGS		
BALANCE, BEGINNING OF YEAR	23,737,456	11,147,690
NET EARNINGS	12,587,200	12,589,766
BALANCE, END OF YEAR	36,324,656	23,737,456
STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE LOSS		
BALANCE, BEGINNING OF YEAR	-	(34,524)
OTHER COMPREHENSIVE INCOME	-	34,524
BALANCE, END OF YEAR	-	-
STATEMENT OF CONTRIBUTED SURPLUS		
BALANCE, BEGINNING OF YEAR	899,336	450,177
STOCK-BASED COMPENSATION TO EMPLOYEES AND DIRECTORS (Note 13)	469,270	449,159
BALANCE, END OF YEAR	1,368,606	899,336

ORBIT GARANT DRILLING INC.

Consolidated balance sheet

	June 30 2010	June 30 2009
	$	$
ASSETS		
CURRENT ASSETS		
Cash	8,113,518	10,557,766
Accounts receivable	21,188,000	22,682,833
Inventories	22,708,282	19,670,210
Income taxes receivable	2,351,181	-
Prepaid expenses	460,516	324,531
	54,821,497	53,235,340
LONG-TERM INVESTMENTS (Note 7)	886,321	521,956
PROPERTY, PLANT AND EQUIPMENT (Note 8)	31,680,726	24,106,307
GOODWILL	19,697,965	19,697,965
INTANGIBLE ASSETS (Note 9)	1,373,563	5,308,342
	108,460,072	102,869,910
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	16,600,728	10,641,645
Client deposits	557,205	348,250
Income taxes payable	-	1,910,453
Current portion of long-term debt (Note11)	202,870	88,800
	17,360,803	12,989,148
LONG-TERM DEBT (Note 11)	172,401	10,661,182
FUTURE INCOME TAXES (Note 14)	1,335,445	2,684,627
	18,868,649	26,334,957
SHAREHOLDERS' EQUITY		
Share capital (Note 13)	51,898,161	51,898,161
Contributed surplus	1,368,606	899,336
Retained earnings	36,324,656	23,737,456
	89,591,423	76,534,953
	108,460,072	102,869,910

APPROVED BY THE BOARD

(signed) Eric Alexandre, Director

(signed) Jean-Yves Laliberté, Director

See accompanying notes.

ORBIT GARANT DRILLING INC.
Consolidated statement of cash flows
Year ended

	June 30 2010	June 30 2009
	$	$
OPERATING ACTIVITIES		
Net earnings	12,587,200	12,589,766
Items not affecting cash:		
Amortization of property, plant and equipment	5,454,638	4,387,429
Amortization of intangible assets	3,934,778	4,338,364
Loss (gain) on disposal of property, plant and equipment	(96,376)	339,437
Other-than-temporary impairment on long-term investments	-	303,687
Stock-based compensation	469,270	449,159
Amortization of financing costs	69,948	69,948
Future income taxes	(1,349,182)	(1,638,240)
Share in net earnings of a company subject to significant influence less dividends	(364,365)	(30,516)
	20,705,911	20,809,034
Changes in non-cash operating working capital items (Note 15)	227,180	(3,569,057)
	20,933,091	17,239,977
INVESTING ACTIVITIES		
Business acquisition (including bank overdraft of $726,760) (Note 2)	-	(5,377,949)
Proceed from sale of a long-term investment	-	48,000
Advances to a shareholder company	-	58,883
Acquisition of property, plant and equipment	(13,996,029)	(7,065,021)
Proceeds from disposal of property, plant and equipment	1,063,349	90,464
	(12,932,680)	(12,245,623)
FINANCING ACTIVITIES		
Change in bank loan	-	(5,290,000)
Proceeds from long-term debt	342,364	5,636,034
Repayment of long-term debt	(10,787,023)	(779,490)
	(10,444,659)	(433,456)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,444,248)	4,560,898
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	10,557,766	5,996,868
CASH AND CASH EQUIVALENTS, END OF THE YEAR	8,113,518	10,557,766

Additional information (Note 15)

1. DESCRIPTION OF BUSINESS

Orbit Garant Drilling Inc. (the "company"), amalgamated under the Canada Business Corporations Act, operates mainly an underground and surface diamond drilling business. The company has operations in Canada, United States and Central and South America.

2. BUSINESS ACQUISITION

Acquisition of 9129-5642 Québec Inc. (Forage +)

On October 10, 2008, the company acquired all issued and outstanding shares of 9129-5642 Québec Inc. (doing a surface diamond drilling business in Canada) for a total net consideration of $3,100,000 (excluding acquisition costs) payable for a cash consideration of $2,124,456 and $975,544 through the issuance of 457,142 common shares of the company based on the 30-day average trading price. Further, the company has paid a cash consideration of $2,431,247 as compensation of the net working capital of the company at the acquisition date and an amount of $95,486 for acquisition costs.

The results of operations of 9129-5642 Québec Inc. are included in the consolidated financial statements from October 10, 2008.

The purchase price of the above transaction was allocated to the net assets acquired on the basis of their estimated fair values as follows:

	$
Current assets	4,929,993
Property, plant and equipment	1,895,901
Intangible assets - customer relationship	1,423,643
Bank overdraft	(726,760)
Current liabilities	(1,321,986)
Future income taxes	(574,058)
Purchase price	5,626,733
Consideration	
Cash (including acquisition costs of $95,486)	4,651,189
Issuance of common shares	975,544
	5,626,733

3. ADOPTION OF NEW ACCOUNTING STANDARDS

Goodwill and intangible assets

On July 1, 2009, the Company has adopted Canadian Institute of Chartered Accountants ("CICA") Section 3064, Goodwill and Intangible Assets, which replaced Section 3062, Goodwill and Other Intagible Assets. The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented entrerprises. In particular, the new standard sets out specific criteria for the recognition of intangible assets and clarifies the application of the concept of matching costs with revenues, so as to eliminate the practice of recognizing as assets items that do not meet the definition of an asset or satisfy the recognition criteria for an asset. The adoption of this section had no impact on the consolidated financial statements.

3. ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

Financial instruments

The Company also adopted the changes made by CICA to Section 3862, Financial instruments – Disclosures whereby an entity shall classify and disclose fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels :

Level 1 : valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 : valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
Level 3 : valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. Since cash is the only item in the balance valued at fair value, no other information is required.

4. FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards

The Accounting Standards Board of Canada ("AcSB") will make the transition from Canadian GAAP for publicly accountable enterprises to International Financial Reporting Standards ("IFRS") over a transition period that will end effective January 1, 2011 with the adoption of IFRS. In October 2009, the AsSB reconfirmed that IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will convert to these new standards according to the timetable set with these new rules.

The Company is currently in the process of developing a conversion and implementation plan and assessing the impacts of the conversion on the consolidated financial statements and disclosures of the Company.

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.

5. ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

Principles of consolidation

The consolidated financial statements includes the accounts of the company and its wholly-owned subsidiaries as follows:

Orbit Garant Drilling, a General Partnership (a)
9116-9300 Québec Inc.
4378792 Canada Inc. (a)
Drift Exploration Drilling Inc.
Drift de Mexico SACV
9129-5642 Québec Inc. (Forage +, since October 10, 2008)

(a) On July 1, 2010, all the assets and liabilities of Orbit Garant Drilling, a General Partnership has been transfered in 4378792 Canada Inc. Furthermore, 4378792 Canada Inc. has changed its name for Orbit Garant Drilling Services Inc.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the company's designation of such instruments. Settlement date accounting is used.

Asset/Liability	Classification	Mesurement
Cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Investments in shares of public companies	Available-for-sale	Fair value
Investment in shares of private companies	Available-for-sale	Cost
Bank overdraft	Held for trading	Fair value
Bank loan	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Client deposits	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost

Cash and cash equivalents

Cash and cash equivalents include cash and bank overdraft of which the balance often fluctuates between the available cash amount and the indebtedness.

Inventories

The company maintains an inventory of operating supplies, drill rods and drill bits. Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price less the estimated cost necessary to make the sale. Cost is determined on the first-in, first-out basis. Used inventories are valued at 50% of cost.

Investments

Investments in companies over which the company exercices significant influence are accounted for using the equity method. The company's share in net earnings of from these companies is presented in the statement of earnings.

5. ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are recorded at cost and amortization is calculated using the straight-line method based on their estimated useful life using the following periods:

Parking	10 years
Buildings	5 to 20 years
Office equipment	5 years
Drilling equipment	5 to 10 years
Machinery and equipment	5 years
Computer equipment	3 to 5 years
Vehicles	5 years
Leasehold improvements	5 years

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 carrrying amount exceeds the fair value, an impairment loss is recognized in the statement of earnings in an amount equal to the excess.

Intangible assets

Intangible assets are accounted for at cost. Amortization is based on their estimated useful life using the straight-line method and the following periods:

Customer relationship	36 and 42 months
Non-compete agreement	5 years

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss if any is determined as the excess of the carrying value of the asset over its fair value.

Income taxes

The company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recorded to account for future tax effects of differences between the value of the assets and liabilities on the balance sheet and their tax values, by using the tax rates in effect for the year during which the differences are expected to reverse. Management reduces the carrying value of the future income tax assets by a valuation allowance when it is more likely than not that some portion of the asset will not be realized.

Foreign currency translation

Integrated foreign operations and accounts denominated in foreign currency are translated as follows: monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the period except for amortization, which is translated at historical rates. Translation gains or losses are included in earnings.

5. ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from drilling contracts is recognized on the basis of actual meterage drilled for each contact. Revenue from ancillary services is recorded when the service is rendered and revenue from the sale of drilling rigs is recorded at shipping. The company recognizes revenue when persuasive evidence of an arrangement exists, service has been rendered, merchandise has been shipped, the price to the buyer is fixed or determinable and collection is reasonably assured.

Earnings per share

Earnings per share are calculated using the weighted daily average number of shares outstanding during the year.

Diluted earnings per share are determined as net earnings divided by the weighted average number of diluted common shares for the year. Diluted common shares reflect the potential dilutive effect of exercising the stock options based on the treasury stock method.

Stock options

The company uses the fair value method to account for stock options. In accordance with this method, compensation cost is measured at the fair value of the option at the grant date and is amortized to earnings over the vesting period.

Use of estimates

The preparation of financial statements in conformity with Canadian 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. Actual results could differ from these estimates.

Significant areas requiring the use of management estimates relate to the useful lives of property, plant and equipment and intangible assets for amortization purposes, valuation of goodwill, inventory valuation, determination of bad debt allowance, purchase price allocation related to business acquisitions, income and other taxes, amounts recorded as accrued liabilities and stock-based compensation.

6. INVENTORY

The cost of inventory recognized as an expense and included in cost of contract revenue for the year ended June 30, 2010 was $23,323,606 (June 30, 2009, $22,733,622). During the year, there were no significant write-downs of inventory as a result of net realizable value being lower than cost and no inventory write-downs recognized in previous years were reversed.

The company's credit facilities related to operations is in part secured by a general assignment of the company's inventory.

7. LONG-TERM INVESTMENTS

	June 30 2010	June 30 2009
	$	$
Company subject to significant influence:		
6483976 Canada Inc. (Usinage X-SPEC):		
4,000 class A shares, representing 40% of the voting shares, participating, at equity method	838,321	473,956
48,000 class I shares, non-participating, non-voting, maximum dividend of 8% per year, redeemable at the option of the company at $48,000, at cost	48,000	48,000
	886,321	521,956

During the year ended June 30, 2009, the company accounted for an other-than-temporary impairment of $303,687 on investments in Explorateur-Innovations de Québec Inc. and Typhoon Exploration Inc. due to a prolonged decline in their fair value.

8. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	Net book value June 30 2010
	$	$	$
Land	760,886	-	760,886
Parking	20,000	15,000	5,000
Buildings	2,808,006	144,415	2,663,591
Office equipment	223,943	115,905	108,038
Drilling equipment	32,422,152	11,122,528	21,299,624
Machinery and equipment	616,377	284,156	332,221
Computer equipment	967,496	467,314	500,182
Vehicles	8,519,359	2,750,607	5,768,752
Leasehold improvements	316,816	74,384	242,432
	46,655,035	14,974,309	31,680,726

	Cost	Accumulated amortization	Net book value June 30 2009
	$	$	$
Land	410,887	-	410,887
Parking	20,000	11,000	9,000
Buildings	1,124,127	196,949	927,178
Office equipment	178,663	78,587	100,076
Drilling equipment	25,118,368	6,963,611	18,154,757
Machinery and equipment	606,164	195,115	411,049
Computer equipment	767,914	299,991	467,923
Vehicles	5,108,428	1,603,183	3,505,245
Leasehold improvements	166,058	45,866	120,192
	33,500,609	9,394,302	24,106,307

The gain on disposal of property plant and equipment totaling $96,376 consist of $460,412 presented as a gain separatly in the statement of earning and a loss of $364,036 ($339,437 in 2009) included in cost of contract revenue.

9. INTANGIBLE ASSETS

	Cost	Accumulated amortization	Net book value June 30 2010
	$	$	$
Intangible assets, limited life:			
Customer relationship	14,023,643	13,257,580	766,063
Non-compete agreement	2,110,000	1,502,500	607,500
	16,133,643	14,760,080	1,373,563

	Cost	Accumulated amortization	Net book value June 30 2009
	$	$	$
Intangible assets, limited life:			
Customer relationship	14,023,643	9,744,801	4,278,842
Non-compete agreement	2,110,000	1,080,500	1,029,500
	16,133,643	10,825,301	5,308,342

10. BANK LOAN

The company has an authorized line of credit for an amount of $7,000,000 bearing interest at prime rate based on the calculation of quarterly financial ratio and can vary from prime rate plus 0.42% to 1.42% renewable on November 30, 2010. Any funds advanced pursuant to this line of credit are secured by a first rank hypothec on the universality of all present and future assets. On June 30, 2010, the prime rate was 2.50% (June 30, 2009, 2.25%).

Under the terms of the bank loan agreement, the company must satisfy certain restrictive covenants as to minimum financial ratios (see Note 12).

11. LONG-TERM DEBT

	June 30 2010	June 30 2009
	$	$
Loan authorized for a maximum amount of $14,285,712, quarterly reduced by principal amount of $714,286, bearing interest at prime rate plus 0,42% maturing June 2012, secured by first rank hypothec on the universality of all present and future assets. The company shall quarterly repay the amount in excess of the authorized amounts as so reduced on such date (a)	-	7,242,590
Loan authorized for a maximum amount of $3,600,000, quarterly reduced by principal amount of $300,000, bearing interest at prime rate plus 0,42% maturing June 2012, secured by first rank hypothec on the universality of all present and future assets. The company shall quarterly repay the amount in excess of the authorized amounts as so reduced on such date (a)	-	3,300,000
Loans, bearing interest at rates ranging from 0 % to 1 %, payable in monthly instalments of $16,987, maturing in November 2012, secured by certain vehicles of a net book value of $551,924	375,271	207,392
	375,271	10,749,982
Current portion	(202,870)	(88,800)
	172,401	10,661,182

(a) The rate is variable based on the quarterly calculation of a financial ratio and can vary from prime rate plus 0,42% to 1,42%.

Under the terms of the long-term debt agreement, the company must satisfy certain restrictive covenants as to minimum financial ratios (see Note 12).

On June 30, 2010, the prime rate was 2.50% (June 30, 2009, 2.25%).

Principal payments required in each of the next three years are as follows:

	$
2011	202,870
2012	144,454
2013	27,947

12. CAPITAL MANAGEMENT

The company includes shareholders' equity (excluding accumulated other comprehensive loss), long-term debt, bank loan and bank overdraft net of cash in the definition of capital.

Total managed capital was as follows:

	June 30 2010	June 30 2009
	$	$
Long-term debt	375,271	10,749,982
Share capital	51,898,161	51,898,161
Contributed surplus	1,368,606	899,336
Retained earnings	36,324,656	23,737,456
Cash	(8,113,518)	(10,557,766)
	81,853,176	76,727,169

12. CAPITAL MANAGEMENT (continued)

The company's objective when managing its capital structure is to maintain financial flexibility in order to: i) preserve access to capital markets; ii) meet financial obligations and iii) finance internally generated growth and potential new acquisitions. To manage its capital structure, the company may adjust spending, issue new shares, issue new debt or repay existing debt.

Under the terms of certain of the company's debt agreements, the company must satisfy certain financial covenants, such as Senior debt to earnings before income taxes, interest, depreciation and amortization ratio, Senior debt to capitalization ratio and Fixed charge coverage ratio. Such agreements also limit, among other things, the company's ability to incur additional indebtedness, create liens, engage in mergers or acquisitions and make dividend and other payments. During the period, the company was, and continues to be, in compliance with all covenants and other conditions imposed by its debt agreements.

In order to facilitate the management of its capital requirements, the company prepares annual budgets that are updated as necessary, dependent on various factors.

The company's objectives with regards to capital management remain unchanged from the prior period.

13. SHARE CAPITAL

Authorized, an unlimited number of common and preferred shares:

Common shares, participating and voting

Preferred shares, rights' privileges, restrictions and conditions shall be provided before their issuance by a resolution of the board of directors of the company

Common shares issued:

	June 30, 2010		June 30, 2009	
	Number of shares	$	Number of shares	$
Balance, beginning of the year	32,738,684	51,918,161	32,281,542	50,942,617
Shares issued:				
For business acquisition (a)	-	-	457,142	975,544
	32,738,684	51,918,161	32,738,684	51,918,161
Share purchase financing (b)	-	(20,000)	-	(20,000)
Balance, end of the year	32,738,684	51,898,161	32,738,684	51,898,161

(a) Issuance during the year ended June 30, 2009:

On October 10, 2008, the company issued 457,142 common shares for an amount of $975,544 as part of the consideration for the acquisition of 9129-5642 Québec inc. (see Note 2).

(b) Share purchase financing:

On August 20, 2007, 13,333 common shares were issued to an employee of the company at $1.50 per common share under the company's share purchase plan. The company granted a five-year loan in the amount of $20,000 to this employee pursuant to the terms and conditions set out in a promissory note secured by 13,333 common shares. The loan is repayable at the earlier of (i) the date the shares were sold or, (ii) at the maturity date of the loan. Interest on the principal of the loan is calculated and compounded annually at a rate of 8%. As at June 30, 2010, the fair value of the securities is $45,998 .

13. SHARE CAPITAL (continued)

Earnings per share

Diluted earnings per common share were calculated based on net earnings divided by the average number of common shares outstanding taking into account the dilutive effect of stock options using the treasury stock method.

	June 30 2010	June 30 2009
	$	$
Earnings per share - basic		
Net earnings available to common shareholders	12,587,200	12,589,766
Average basic number of common shares outstanding	32,738,684	32,610,935
Earnings per share - basic	0,38	0,39

	June 30 2010	June 30 2009
	$	$
Earnings per share - diluted		
Net earnings available to common shareholders	12,587,200	12,589,766
Average basic number of common shares outstanding	32,738,684	32,610,935
Adjustment to average number of common shares Stock options	709,830	238,201
Average diluted number of common shares outstanding	33,448,514	32,849,136
Earnings per share - diluted	0,38	0,38

The calculation of the diluted earnings per share for the year ended June 30, 2010 excludes the effect of 925,000 options (625,000 in 2009) as they are anti-dilutive.

2007 stock option plan:

In January 2007, the Board of Directors adopted a stock option plan (the « 2007 stock option plan »). The purpose of this plan is to retain, motivate and reward qualified directors, officers, employees and consultants of the company.

The vesting and expiry terms of the oustanding options were modified in June 2008 and will now vest at the rate of 50% 31 days after the closing date of the IPO and 25% on each of the first and second anniversary of the closing date of the IPO and will expire 10 years after the grant date.

2008 stock option plan

Also, on June 26, 2008, the company established the new option plan (the « 2008 stock option plan »), which is intended to aid in attracting, retaining and motivating the company's officers, employees, directors and consultants. The new option plan has been prepared in accordance with TSX's policies on listed company security-based compensation arrangements. Persons eligible to be granted options under the new option plan are any director, officer or employee of Orbit Garant or of any subsidiary, corporation controlled by any such person or a family trust of which at least one trustee is any such person and all of the beneficiaries of which are such person and his or her spouse or children.

13. SHARE CAPITAL (continued)

The aggregate number of common shares which may be issued from treasury under the new option plan or reserved for issuance upon the exercise of options under the 2008 stock option plan shall not exceed 10% of the issued and outstanding common shares after giving effect to the June 26, 2008 offering less the number of options issued under the prior option plan. The number of common shares which may be reserved for issuance pursuant to options granted under the new option plan, together with common shares reserved for issuance from treasury under any other employee-related plan of the company or options for services granted by the company, to any one person shall not exceed 5% of the then aggregate issued and outstanding common shares.

The Board of Directors, through the recommendation of the compensation and corporate governance committee, will manage the 2008 stock option plan and will determine, among other things, optionees, vesting periods, exercise price and other attributes of the options, in each case pursuant to the 2008 stock option plan, applicable securities legislation and the rules of the TSX. Unless otherwise determined by the Board of Directors, options will vest at a rate of 20% per annum commencing 12 months after the date of grant and will expire no later than 10 years after the grant date. Options are forfeited when the option holder ceases to be a director, officer or employee of the company. The exercise price for any option may not be less than the fair market value (the closing price of the common shares on the TSX on the last trading day on which common shares traded prior to such day, or the average of the closing bid and ask prices over the last five trading days if no trades accrued over that period) of the common shares at the time of the grant of the option.

All stock options outstanding are granted to Directors, Officers and employees. Details regarding the stock options outstanding are as follows:

	Number of options	Weighted average exercise price
		$
Outstanding as at June 30, 2008 and June 30, 2009	1,673,000	2,13
Granted during the year	300,000	4,00
Outstanding as of June 30, 2010	1,973,000	2,42
Exercisable as at June 30, 2010	1,298,000	1,59

The following table summarized information on stock options outstanding at June 30, 2010.

Range of exercice prices $	Outstanding at June 30, 2010	Weighted average remaining life (years)	Weighted average exercice price $	Exercisable at June 30, 2010	Weighted average exercice price $
1.00 - 1.50	1,048,000	6,63	1,02	1,048,000	1,02
4.00	925,000	8,44	4,00	250 000	4,00
	1,973,000			1,298,000	

13. SHARE CAPITAL (continued)

The company's calculations of the fair value of options granted were made using the Black-Scholes option-pricing model. The following table summarizes the grant date fair value calculations with weighted average assumptions:

	Granted in 2010
Risk-free interest rate	3,08%
Expected life (years)	7
Expected volatility	130%
Expected dividend yield	0%
Fair value of options granted	$3,69

During the year ended June 30, 2010, the total expense related to stock-based compensation to employees and directors amounting to $469,270 has been recorded and presented in general and administrative expenses ($449,159 for the year ended June 30, 2009).

14. INCOME TAXES

Income tax expense comprises the following:

	June 30 2010	June 30 2009
	$	$
Current	6,959,157	7,722,516
Future	(1,349,182)	(1,638,240)
	5,609,975	6,084,276

Income tax expense differs from the amounts calculated by applying canadian statutory rates (federal and provincial) of 31.06% (2009, 31.89%) to the earnings before income taxes as follows:

	June 30 2010	June 30 2009
	$	$
Earnings before income taxes	18,197,175	18,674,042
Income taxes based on statutory rates	5,652,043	5,955,152
Increase (decrease) of income taxes due to the following:		
Non-deductible expenses	38,786	37,362
Non-deductible stock-based compensation expense	145,755	143,237
Non-taxable share in net earnings of a company subject to significant influence	(125,596)	(24,656)
Effect of corporate tax rate modification and prior year adjustments	(55,323)	(26,819)
Non-taxable portion of capital gain	(45,690)	-
Total income taxes	5,609,975	6,084,276

14. INCOME TAXES (continued)

Future income taxes are based on differences between the accounting and tax values of assets and liabilities and consist of the following as at the dates presented:

	June 30 2010	June 30 2009
	$	$
Future income tax assets:		
Share issue costs	443,818	737,897
Long-term investments	13,350	14,797
Total future income tax assets	457,168	752,694
Future income tax liabilities:		
Property, plant and equipment	1,313,043	1,823,380
Intangible assets	479,570	1,613,941
Total future income tax liabilities	1,792,613	3,437,321
Net future income tax liabilities	1,335,445	2,684,627

15. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

Changes in non-cash operating working capital items

	June 30 2010	June 30 2009
	$	$
Accounts receivable	1,494,833	844,623
Inventories	(3,038,072)	(1,197,110)
Income taxes receivable	(2,351,181)	-
Prepaid expenses	(135,985)	(41,449)
Accounts payable and accrued liabilities	5,959,083	(1,882,378)
Client deposits	208,955	(1,380,079)
Income taxes payable	(1,910,453)	87,336
	227,180	(3,569,057)

Other information

Interest paid	320,125	562,197
Income taxes paid	11,220,791	7,084,055

16. RELATED PARTY TRANSACTIONS

The company is related to 2867-3820 Québec Inc., a company owed by a director. The company is also related to Signal Hill Equity Partners Management Inc. which is managed by an another director of the company.

The company is also related to 6483976 Canada Inc. (Usinage X-SPEC) due to the significant influence exercised by the company.

During the year, the company entered into the following transactions with its related companies:

	June 30 2010	June 30 2009
	$	$
Sales	87,273	94,962
Purchases	1,981,718	1,339,092
Rent	107,764	108,534
General and administrative expenses	34,987	-

These above transactions were made within the normal course of operations and have been recorded at the exchange amount which is the amount of consideration established and agreed to by related parties.

During the year ended June 30, 2009, the company paid to 2867-3820 Québec Inc., equipment in the amount of $150,400. This transaction was not made within the normal course of operations and has been recorded at net book value.

As at June 30, 2010, accounts payable and accrued liabilities include a balance of $726,185 (June 30, 2009, $376,273) resulting from these transactions.

17. FINANCIAL INSTRUMENTS

The company is exposed to various risks related to its financial assets and liabilities. There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks, or the methods used to measure them, from previous periods, unless otherwise stated in this note.

Currency risk

The company realizes a part of its activities in US dollars and is thus exposed to foreign exchange fluctuations. The company does not actively manage this risk. As at June 30, 2010, the company has cash in US dollars for an amount of $227,670 (June 30, 2009, $179,591) and accounts receivable in US dollars for an amount of $515,626 (June 30, 2009, $176,724).

As at June 30, 2010, the company has estimated that a ten percent increase or decrease of the US exchange rate would have caused a corresponding annual increase or decrease in net earnings of approximately $23,200 (June 30, 2009, $16,700).

Credit risk

The company provides credit to its customers in the normal course of its operations. The company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. It carries out, on a continuing basis, credit checks on its customers and maintains provisions for contingent credit losses. Demand for the company's drilling services depends upon the level of mineral exploration and development activities conducted by mining companies, particularly with respect to gold, nickel and copper.

17. FINANCIAL INSTRUMENTS (continued)

In order to reduce the credit risk, the company is using insurance coverage from Export Development Canada (''EDC'') on certain accounts receivable from its customers. The insurance program provides under certain terms and conditions an insurance coverage amount of up to 90% of unpaid accounts. As at June 30, 2010, the amount of the insurance coverage from EDC represents approximately 53% of the accounts receivable (53% in 2009).

The carrying amounts for accounts receivable are net of allowances for doubtful accounts, which are estimated based on aging analysis of receivables, past experience, specific risks associated with the customer and other relevant information. The maximum exposure to credit risk is the carrying value of the financial assets.

As at June 30, 2010, 54,9% (38.2% in 2009) of the trade accounts receivable are aged as current and 5% (8% in 2009) of receivables are impaired.

One major customer represents 10% of the trade accounts receivable as at June 30, 2010 (June 30, 2009, three major customers represent 43%, respectively by customer, 17%, 14% and 12%).

One major customer represents 10% of the contract revenue for the year ended June 30, 2010 (June 30, 2009, three major customers represent 36% respectively by customer, 14%, 11% and 11%).

Credit risk also arises from cash and cash equivalents with banks and financial institutions. This risk is limited because the counterparties are mainly Canadian banks with high credit rating.

The company does not enter into derivatives to manage credit risk.

Interest rate risk

The company is subject to interest rate risk since a significant part of the long-term debt bears interest at variable rates.

As at June 30, 2010 the company has estimated that a one percentage point increase or decrease in interest rate would have no significant impact on earnings before income taxes.

Fair value

The fair value of cash, accounts receivable, accounts payable and accrued liabilities and client deposits is approximately equal to their carrying values due to their short-term maturity.

The fair value of long-term debt approximates its carrying value as it bears interest at variable rate and has financing conditions similar to those currently available to the company.

Liquidity risk

Liquidity risk arises from the company's management of working capital, the finance charges and principal repayments on its debt instruments. It is the risk that the company will not be able to meet its financial obligations as they fall due.

The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Notes 10 and 11 are details of undrawn facilities that the company has at its disposal to further reduce liquidity risk.

	Total	0-1 year	2-3 years
	$	$	$
Client deposits	557,205	557,205	-
Accounts payable and accrued charges	16,600,728	16,600,728	-
Long-term debt (capital only)	375,271	202,870	172,401
	17,533,204	17,360,803	172,401

18. SEGMENTED INFORMATION

The company operates in three geographic segments, Drilling Canada, Drilling International (US, Central and South America) and Manufacturing Canada. The services provided in each of the reportable drilling segments are essentially the same. Management evaluates performance based on gross profit in these three geographic segments before interest, general corporate expenses and income taxes. Data relating to each of the company's reportable segments is presented as follows:

	June 30 2010	June 30 2009
	$	$
Contract revenue		
Drilling Canada	99,089,927	100,685,504
Drilling International	10,224,071	3,779,951
Manufacturing Canada	7,498,118	6,750,621
Elimination - Manufacturing Canada	(6,854,587)	(6,053,264)
	109,957,529	105,162,812
Gross profit		
Drilling Canada	28,661,043	35,274,400
Drilling International	4,635,840	417,911
Manufacturing Canada	325,787	391,371
	33,622,670	36,083,682
Interest	320,125	562,197
General corporate expenses	15,105,370	16,847,443
Income taxes	5,609,975	6,084,276
	21,035,470	23,493,916
Net earnings	12,587,200	12,589,766
Identifiable assets		
Drilling and Manufacturing Canada	100,764,064	96,723,872
Drilling International	7,696,008	6,146,038
	108,460,072	102,869,910
Property, plant and equipment		
Drilling and Manufacturing Canada	28,209,911	21,938,502
Drilling International	3,470,815	2,167,805
	31,680,726	24,106,307
Amortization		
Drilling and Manufacturing Canada	8,743,476	8,241,220
Drilling International	645,940	484,573
	9,389,416	8,725,793

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.