MANAGEMENT'S DISCUSSION AND ANALYSIS

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 audited consolidated financial statements of Orbit Garant Drilling Inc. as of June 30, 2010 and the notes thereto included elsewhere in this report, which are prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). All annual figures in this discussion and analysis are in Canadian currency unless otherwise noted and refer to the fiscal year which ended on June 30, 2010.

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 partnership, Orbit Garant Drilling, a general partnership and its wholly owned subsidiaries; 9116-9300 Québec inc. (Soudure Royale), 4378792 Canada inc., Drift Exploration Drilling inc. And Drift de Mexico S.A. de C.V. (the later two of which are referred to collectively as "Drift") and 9129-5642 Québec inc. (Forage +).

This MD&A is dated September 21, 2010. Disclosure contained in this document is current to that date unless otherwise stated.

Additional information relating to the Company, including the Company's Annual Information Form for the most recently completed financial year, can be found on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Securities laws encourage companies to disclose forward-looking information in order for investors to have a better understanding of a company's future prospects and make informed investment decisions.

This MD&A contains forward-looking statements about the Company's objectives, strategies, financial condition, results of operations, cash flows and businesses. These statements are "forward-looking" because they are based on current expectations, estimates and assumptions about the markets in which the Company operates, the world economic climate as it relates to the mining industry, the Canadian economic environment and the Company's ability to attract and retain customers and to manage its assets and operating costs.

Actual results could be materially different from expectations if known or unknown risks affect the business, or if estimates or assumptions turn out to be inaccurate. The Company does not guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place reliance on these forward-looking statements.

The Company disclaims any intention and assumes no obligation to update any forward-looking statement, even if new information becomes available, as a result of future events or for any other reasons except in accordance with applicable securities laws. Risks that could cause the Company's actual results to materially differ from its current expectations are discussed in this MD&A.

CORPORATE OVERVIEW

Orbit Garant provides underground and surface drilling services to the mining industry in Canada and internationally. The Company manages from the main office in Val d'Or, Quebec , an expanding fleet of 155 drill rigs, up from 136 rigs in fiscal 2009. Orbit has a low cost infrastructure and is vertically integrated through its subsidiary Soudure Royale, manufacturing drill rigs for the Company and third parties providing a strong competitive advantage in the provision of drilling services. The Company focuses on "Specialized Drilling", which refers to those drilling projects that are completed in remote locations or, in the opinion of management, because of the scope, complexity or technical nature of the work, cannot be completed by small conventional drilling companies.

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

Specialized drilling services, which generate a higher gross margin than typical drilling services, account for approximately 60% of the Company's total revenues.

The Company provides both surface and underground drilling services, which account for approximately 58% and 42% of the Company's revenues respectively.

Approximately 77% of the Company's revenues are generated by gold related operations, while approximately 23% are generated by base metal related and other operations.

Orbit Garant operates in stable jurisdictions, with approximately 90% of the Company's revenues generated in Canada. The Company also operates in the USA, Mexico and Guyana.

Approximately 65% of the Company's customers are major and intermediate-sized mining companies, with which the Company has contracts of one to three years in length.

BUSINESS STRATEGY

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

- Focusing primarily on major and well financed intermediate mining and exploration companies operating in stable jurisdictions;
- Providing conventional and specialized drilling services;
- Manufacturing drills and equipment to fit the needs of customers;
- Providing training courses for the Company's personnel, to continuously improve labour efficiency and ensure the availability of a skilled labour force;
- Maintaining a high level of safety standards in the work environment, and promoting protection of the environment;
- Establishing and maintaining long-term relationships with customers; and
- Cross-selling drilling services to existing clients.

INDUSTRY OVERVIEW

The economic recovery has been apparent in commodity markets throughout calendar 2010, as prices have been continuing a gradual upward trend from the latter half of calendar 2009. The improvements in commodity prices were driven by a number of factors, including industrial demand in China, where the economy was particularly strong early in the year.

Despite the strong growth in the first half of the year, the global economy is subject to a degree of volatility and uncertainty. The world debt crisis has contributed to that fragile state.

Given the unstable global financial and economic environment, particularly in Europe, the swift pace of recovery in the first half of 2010 calendar is not expected to be sustainable. In addition to the troubles in Europe, the strength in Chinese demand in the first part of the year was largely attributable to inventory restocking, rather than actual consumption. This is resulting in a modest pullback in commodity pricing, though prices are eventually expected to resume a gradual upward climb into calendar 2011.

In the long term, economic recovery, though uncertain, remains on course and improvement is expected to continue, which bodes well for gold and base metal commodity prices. The sustained uncertainty and economic unease continues to support gold prices in the near term and the gradual and steady pace of the recovery favours both gold and base metal prices going forward.

Gold

As a safe-haven against uncertainty, there are a number of significant macro factors reinforcing investment demand for gold: the concern about a double dip recession, risk of sovereign debt defaults and the sheer size of monetary stimulus that remains to be injected. If concern about U.S. monetary policy and quantitative easing continues, the sentiment for gold will remain positive and prices will remain strong.

In addition to the investment demand for gold, supply side fundamentals also remain positive. Central banks are no longer viewed as net sellers as many central banks such as China, India, and Russia have been buying gold as a hedge against uncertainty. Although mine supply may continue to grow modestly over the next few years, sustaining production growth in the long term could be a challenge which will contribute to sustainable positive gold market fundamentals.

Base Metals

After a rebound in late calendar 2009 and early 2010, base metal prices experienced a modest reduction in the latter half of the year. Following an uptick in the second quarter, prices began to consolidate gains made over the last year, slowed by concerns about sovereign credit risk in the euro zone and the uncertain impact of monetary tightening in China. China has accounted for much of the increase in demand in base metals over the past few quarters, but as inventories remain elevated, many expect that prices have gotten ahead of fundamentals, elevated in part due to a rise in short-term investor interest.

In the near term, with base metal markets' excess supply positions, the slowdown in Chinese economic growth and the ongoing demand challenges, there are a number of factors that could impede the pace of base metal price increases. It is expected that the slowdown in price increases will persist for the next few months before re-stocking activity picks up in Asia and overall global demand becomes more robust.

Today, base metal prices are still well above the bottom levels experienced in the recession and demand for base metals is expected to rise in response to robust growth in the developing world. China is expected to remain the primary source of demand growth into calendar 2011, and most believe that economic recovery in China is sustainable, which will prove positive for longer-term metal prices.

On the supply side, the profiles for base metals tend to be volatile and mining output can easily be hampered by inclement weather, energy shortages, union activity and difficult regulatory environments. As demand increases from the developing nations, supply constraints could result in rising prices. All factors considered, long-term fundamentals remain positive and prices are expected to continue their upward trend from the low prices experienced during the recent economic turmoil.

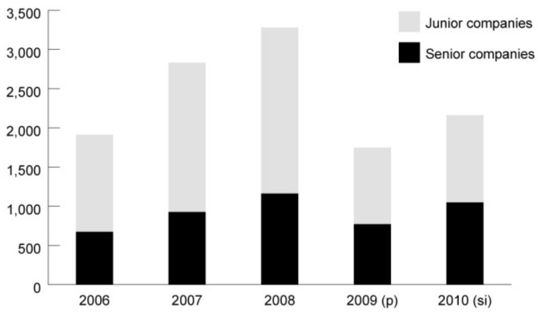
Market Participants

Metal prices are the primary driver of exploration spending and, as most prices have improved steadily since bottoming in early calendar 2009, exploration activity has also recovered. Intermediate and junior companies substantially increased their exploration budgets in 2010, which resulted in a healthy increase in worldwide exploration allocations over the course of the year.

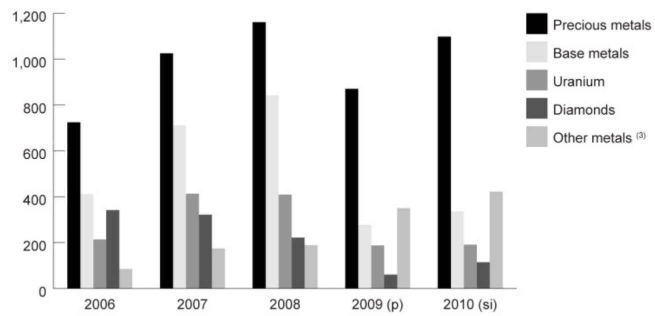
Early in 2010, Natural Resource Canada (NRC) anticipated an increase in exploration spending in Canada of approximately 24%, bringing the estimated 2010 total to $2.2 billion. The increase suggests that domestic exploration may be poised to embark on another stretch of strong activity. NRC estimates that senior companies in Canada, which usually operate the more substantial projects, will account for 67% of the predicted $414 million increase in spending in 2010, contributing almost $1 billion of exploration and deposit appraisal expenditures.

As senior company spending continued to increase throughout the year, junior and intermediate companies raised significant equity capital for exploration, evenly split between gold and base metals segments. Despite weakening base metal prices in the second half of calendar 2010, interest in the equity markets continued to show signs of strength. The increases in equity financings and increased budgets are expected to continue to support demand across the mineral drilling sector.

Exploration and Deposit Appraisal Expenditures (1) by Type of Company and Number of Project Operators, 2006–2010
($ millions)



Exploration and Deposit Appraisal Expenditures (1) by Mineral Commodity, 2006–2010 (2)
($ millions)



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

In July, Metals Economics Group (MEG) reported that the number of significant drill results reported in the months of May and June increased 26% from the previous two months, and nearly doubled from the same period the previous year. Gold-focused results continue to far outpace base metals announcements, a trend that has been consistent throughout calendar 2010. The sharp rise in the number of gold financings has resulted in a significant increase in gold exploration spending in the year, while weaker base metal prices in the second half of calendar 2010 have kept base metals activity relatively level. However, given the recent strength of equity financings for junior and intermediate base metals companies, base metal exploration activity is expected to increase in the coming months.

As exploration spending increased significantly in calendar 2010, Orbit Garant observed an increase in demand for drills and the Company’s management expects that industry-wide existing drill availability will continue to decrease into 2011. As drill availability decreases, Orbit’s ability to manufacture drills in short turnaround times to meet specific customer needs will serve the Company well. Another outcome of the increase in exploration activity, labour availability, is also expected to be affected. In order to mitigate the potential shortage of drillers, Orbit Garant continues to train drillers through its training program. Overall, as mineral and mining spending continues to increase and the economy continues to recover, Orbit Garant’s integrated approach is expected to enable the Company to continue to produce strong results, further its growth and expand its operational footprint.

Perspectives

Looking forward, it is expected that gold and precious metals will remain the most attractive commodity group as macroeconomic risks overhang the global economy, affecting the base metal sector prices. Central banks have added massive monetary stimulus to the system that ultimately could prove inflationary, which also bodes well for gold. At the same time, as the world economy remains a concern, many investors will continue to look to gold as a safe haven.

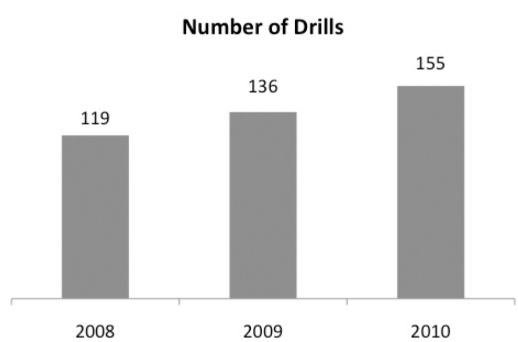
Base metals are not expected to perform as strongly in the near term, as Chinese demand growth continues to ease. Although the upward movement in base metal pricing has slowed down, base metal prices are expected to remain close to current levels into early 2011, before gradually pushing higher in the medium and longer term. Chinese companies have been investing heavily in base metals projects in the last year, and with the robust growth in the developing world, coupled with volatile on-stream supply, base metals demand is expected to outweigh supply going forward, supporting higher prices.

OVERALL PERFORMANCE

In the twelve-months ended June 30, 2010, Orbit Garant reported record gross revenue and a record level of meters drilled.

	12 months June 30, 2010	12 months June 30, 2009	Increase $	Increase %
Revenues (in millions)	**$ 110.0**	$ 105.2	$ 4.8	4.6
Net earnings (in millions)	**$ 12.6**	$ 12.6	—	—
Net earnings per common shares				
– Basic	**$ 0.38**	$ 0.39	$ (0.01)	(2.6)
– Diluted	**$ 0.38**	$ 0.38	—	—
Meters drilled	**1,298,124**	1,109,332	188,792	17.0

The increase of the overall performance is attributable to new specialized drilling contracts.



During fiscal 2010, the Company added a total of 19 drilling rigs from which Soudure Royale, the manufacturing division, supplied 18 new drilling rigs.

SELECTED ANNUAL FINANCIAL INFORMATION

For the year ended June 30 * In million ($)	**2010 Fiscal 12 months**	2009 Fiscal 12 months	2008 Fiscal 12 months
Contract revenue			
Drilling Canada*			
– Surface*	**52.6**	54.9	24.3
– Underground*	**46.6**	45.8	43.4
	99.2	100.7	67.7
Drilling international – surface*	**10.2**	3.8	8.4
Manufacturing Canada *	**0.6**	0.7	6.0
Total *	**110.0**	105.2	82.1
Gross profit*	**33.6**	36.1	28.8
Gross profit %	**30.6**	34.3	35.1
Net earnings*	**12.6**	12.6	9.4
Net earnings per common shares ($)	**0.38**	0.39	0.38
Net earnings per common shares diluted ($)	**0.38**	0.38	0.37
Total assets*	**108.5**	102.9	94.5
Long-term debt*	**0.2**	10.7	5.8
Dividend in cash*	**—**	—	0.1
Total metres drilled (million)	**1.3**	1.1	0.9
EBITDA*	**27.9**	28.0	22.7
EBITDA %	**25.4**	26.6	27.7

* See supplemental disclosure

RESULTS OF OPERATIONS

FISCAL 2010 COMPARED TO FISCAL 2009

CONTRACT REVENUE

During the fiscal year ended June 30, 2010, the Company recorded contract revenue of $110.0 million, as compared to $105.2 million in fiscal 2009, representing an increase of 4.6%. The increase is attributable to new international drilling contracts and the deployment of 19 new drilling rigs.

Domestic surface drilling contract revenue decreased to $52.6 million in fiscal 2010 as compared to $54.9 million in fiscal 2009, representing a decrease of 4.2%. The decrease is attributable to a more competitive pricing environment.

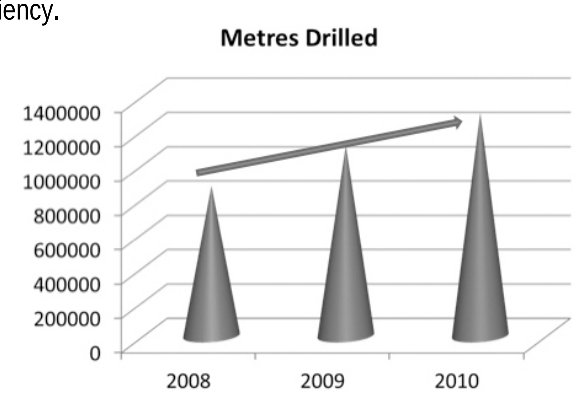
Underground drilling contract revenue increased to $46.6 million in fiscal 2010 as compared to $45.8 million in fiscal 2009, representing an increase of 1.6% due to additional metres drilled for the period.

The Company increased its total metres drilled by 17%, to almost 1.3 million metres during the fiscal year, despite the fact that exploration programs were substantially reduced due to prevailing economic conditions.

International drilling revenue was 10.2 million in fiscal 2010 compared to 3.8 million in fiscal 2009 for an increase of 170.5%.

Manufacturing Canada generated negligible revenue for fiscal year 2010 and fiscal year 2009. During the last quarter of 2010 the company sold 2 new drill rigs to third parties. Soudure Royale continued to build equipment and supplies for the company to support organic growth and its production capacity.

Despite the challenging operating environment, the Company generated a gross margin of 30.6% for fiscal year 2010 compared to 34.3% for fiscal year 2009, the decline a result of a more competitive pricing environment. Much of the resulting downward pressure on gross margin was offset by the Company's focus and success in increasing productivity and operating efficiency.



GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses were $6.6 million for fiscal year 2010 compared to $8.0 million for the comparable period in 2009. During fiscal 2010, no provision for bad debt was taken compared to $1.6 million for the prior year.

Administration expenses represented 6% of sales during fiscal 2010 compared to 7.6% for the same period the prior year.

EBITDA (see SUPPLEMENTAL DISCLOSURE)

EBITDA was $27.9 million for fiscal year 2010, compared to $28.0 million in fiscal 2009. EBITDA for fiscal 2010 represents 25.4% of sales, compared to 26.6% for fiscal 2009.

FINANCIAL EXPENSES

During fiscal year 2010, the Company repaid the long term debt from its Financing Facilities[1]. The long term debt was reduced from $10.7 million in fiscal year 2009 to $0.4 million in the same period in 2010.

[1]*Comparison of Use of Proceeds from Financing Facilities*

Facility	Intended use, as disclosed previously	Actual use
Non-revolving $3.6 million 4-year Capital Expenditure Facility	Finance up to 80% of the Company's capital expenditures (as that term is defined in the Credit Agreement)	At the end of fiscal 2010, this facility was not used.
Non-revolving $14.3 million 4-year Term Facility	Refinance the outstanding balance under the previous Credit Agreement and make future acquisitions	At the end of fiscal 2010, this facility was not used.

AMORTIZATION

Amortization of property, plant and equipment increased from $4.4 million in fiscal 2009 to $5.5 million during fiscal 2010. The increase is a result of the acquisition of new drilling rigs and equipment.

Amortization of intangible assets decreased from $4.3 million in fiscal 2009 to $3.9 million in fiscal 2010, as some intangible assets were fully amortized.

NET EARNINGS

Net earnings for fiscal 2010 totaled $12.6 million or $0.38 per common share ($0.38 per share diluted), compared to $12.6 million for fiscal 2009 or $0.39 per common share ($0.38 per share diluted).

SUMMARY ANALYSIS OF FISCAL 2009 COMPARED TO FISCAL 2008

Revenue for the fiscal year ended June 30, 2009 was $105.2 million compared to $82.1 million for fiscal 2008, representing an increase of 28.1%.

During fiscal 2008 Orbit Garant acquired 9129-5642 Quebec Inc. ("Forage +") a Canadian diamond drilling company supplied with 7 drilling rigs and Soudure Royale, the manufacturing division supplied 10 new drilling rigs. A total of 17 drilling rigs were added to the fleet.

Gross margins for fiscal 2009 were 34.3%, compared to 35.1% for fiscal 2008. Total gross profit during fiscal 2009 was $36.1 million, compared to $28.8 million for fiscal 2008, representing an increase of 25.3%. The increase in gross profit is a result of:

- Increased activity in drilling Canada
- Decreased activity in international drilling and manufacturing division which brings higher gross margin
- Success of the company to increase productivity and operating efficiency

Net earnings for fiscal 2009 totaled $12.6 million or an increase of 34.0% compared to $9.4 million during fiscal 2008. The increase relates primarily to the business acquisition and the addition of new drilling rigs.

The net earnings generate earnings per share of $0.39 (or $0.38 per share diluted) for fiscal 2009 compared to $0.38 per share (or $0.37 per share diluted) for fiscal 2008.

SUMMARY OF QUARTERLY RESULTS

Million	Fiscal 2010 June 30 2010	Fiscal 2010 Mar. 31 2010	Fiscal 2010 Dec. 31 2009	Fiscal 2010 Sept. 30 2009	Fiscal 2009 Jun. 30 2009	Fiscal 2009 Mar. 31 2009	Fiscal 2009 Dec. 31 2008	Fiscal 2009 Sept. 30 2008
Contract revenue* ($)	**33.1**	**28.8**	**23.7**	**24.4**	28.3	27.7	26.1	23.1
Gross profit* ($)	**9.1**	**8.9**	**7.6**	**8.0**	10.7	9.2	8.6	7.5
Gross margin %	**27.6**	**31.0**	**32.0**	**32.8**	37.9	33.2	33.1	32.5
Net earnings* ($)	**4.0**	**3.7**	**2.4**	**2.5**	3.6	3.2	3.2	2.6
EBITDA*(1) ($)	**7.8**	**7.9**	**6.0**	**6.2**	7.8	7.3	6.9	6.0
Net earnings per common shares ($)								
– Basic	**0.12**	**0.11**	**0.07**	**0.08**	0.11	0.10	0.10	0.08
– Diluted	**0.12**	**0.11**	**0.07**	**0.08**	0.10	0.10	0.10	0.08

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

Revenue per metre drilled decreased as a direct result of a more competitive pricing environment. In this challenging market, Orbit Garant increased the number of metres drilled in the period, offsetting the price decrease and maintaining revenue growthwhile reducing the impact on the gross margin

SEASONALITY

The revenue of the Company shows some seasonal trends. In the underground drilling division, scheduled mine shut-downs over holiday and summer periods at some locations reduced revenue during these periods. In the domestic surface drilling division, weather conditions in the Spring and Fall seasons often cause drilling programs to pause or be planned around the seasonal fluctuations. Similarly, in the international surface drilling division, weather conditions at certain times of the year make drilling difficult, resulting in revenue fluctuations.

ANALYSIS OF THE FOURTH QUARTER OF FISCAL 2010

CONTRACT REVENUE

During the fourth quarter ("Q4") of the fiscal year ended June 30, 2010, revenues were $33.1 million, which represents an increase of $4.8 million or 17.1% compared to the quarter ended June 30, 2009, attributable to an increase in the number of metres drilled from 296,778 in Q4 2009 to 378,687 in Q4 2010.

Underground drilling revenue increased to $11.6 million in Q4 of fiscal 2010, from $10.3 million in Q4 of fiscal 2009, representing an increase of 13%. This increase is due to a higher number of metres drilled.

Domestic surface drilling revenue was $16.8 million in Q4 of fiscal 2010, compared to $16.9 million in Q4 of fiscal 2009.

International drilling revenue was $4.1 million in Q4 of fiscal 2010 compared to $1.1 million in Q4 of fiscal 2009, an increase of 284%. This is a direct result of new contracts initiated during the year.

Revenue from the sale of drills to unrelated third parties by Soudure Royale was $0.6 million during Q4 fiscal 2010 compared to almost nil during the same quarter the previous year. Demand for new drills from third parties remains very low, but is showing signs of improvement. The manufacturing division continues to focus on building supplies and equipment for the Company.

GROSS MARGIN AND PROFIT

The gross margin for Q4 of fiscal 2010 was 27.6%, compared to 37.9% for the Q4 period of fiscal 2009. Total gross profit in Q4 of fiscal 2010 was $9.1 million compared to $10.7 million in Q4 of fiscal 2009, representing a decrease of 14.7 %. The decrease is attributable to prevailing pricing conditions and startup costs on new projects in the period.

Management believes that the revenue generated by actual contracts will maintain the same level of gross profit in the first half of its 2011 fiscal year and should improve as demand for drilling services will likely increase and prices improve.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses ("G&A") were $1.5 million during Q4 of fiscal 2010, a decrease of $1.3 million over the comparable period of fiscal 2009. The Company recorded $1.1 million as bad debt expenses in Q4 of fiscal 2009. As a percent of sales, G&A was 4.5% during Q4 of fiscal 2010 and 9.9% during Q4 of fiscal 2009.

EBITDA (see supplemental disclosure)

EBITDA in Q4 of fiscal 2010 was $7.8 million, in line with Q4 of fiscal 2009.

FINANCIAL EXPENSES

Interest on long term debt was negligible in both fiscal year 2010 and 2009.

AMORTIZATION

Amortization of Property, Plant and Equipment was $1.5 million for Q4 of fiscal 2010 compared to $1.4 million for Q4 of fiscal 2009.

In Q4 of fiscal 2010, amortization of intangible assets decreased to $0.6 million, compared to $1.1 million in Q4 of fiscal 2009 as some intangible assets were fully amortized.

NET EARNINGS

Net earnings for Q4 of fiscal 2010 were $4.0 million or $0.12 per common share ($0.12 per common share diluted), compared to $3.6 million or $0.11 per common share ($0.10 per common share diluted) in Q4 of fiscal 2009. The statutory tax rate for the Company in Q4 of fiscal 2010 was 31.1 %, as compared to 31.9% in Q4 of fiscal 2009.

EFFECT OF EXCHANGE RATE

Aside from the U.S. dollars referenced below, all of the Company's revenue was denominated in Canadian dollars. The Company's main exposure to exchange rate fluctuations arose from certain purchases denominated in U.S. dollars which were offset in part by revenue of approximately $ 1.4 million earned in U.S. dollars, related primarily to the surface reverse circulation drilling business carried on by Drift. In fiscal 2010, the net currency exposure totaled approximately $ 0.1million. Accordingly, fluctuations in the U.S. dollar against the Canadian dollar did not have a significant impact on the financial results of the Company.

LIQUIDITY AND CAPITAL RESOURCES

OPERATING ACTIVITIES

Cash flow from operations before non cash operating working capital items was $20.7 million for the fiscal year ended June 30, 2010, compared to $20.8 million for the fiscal year ended June 30, 2009.

INVESTING ACTIVITIES

Cash used in investing activities was $12.9 million for the fiscal year ended June 30, 2010, compared to $12.2 million for fiscal 2009. During the fiscal year ended June 30 2009, $5.4 million was applied to business acquisitions and $7.1 million was used for acquisition of Property, Plant and Equipment. This is compared to cash use of $14.0 million for the acquisition of Property, Plant and Equipment and cash entry of $1.1 million on disposition of a property for the fiscal year ended June 30, 2010.

FINANCING ACTIVITIES

The cash flow from financing activities shows a use of funds of $10.5 million for fiscal 2010. The Company completely repaid the long term debt from its financing facilities. In fiscal 2009, the cash flow from financing activities showed a use of funds of $0.4 million. During that year, the Company repaid a bank loan of $5.3 million, a portion of its long term debt of $0.8 million, and entered into an additional long term loan of $5.6 million to support the acquisition of Forage + and the acquisition of other capital assets.

As of June 30, 2010, the Company's working capital was $37.5 million compared to $40.2 million for the same period the previous year. The Company's working capital requirements are primarily to fund labor costs and inventory acquisition.

The Company believes that it will be able to generate sufficient cash flow to meet its current and future working capital, capital expenditures and debt obligations. The Company's principal capital expenditures are primarily used to acquire drilling rigs and ground equipment. Acquisitions of Property, Plant and Equipment in fiscal 2010 were valued at $14.0 million, compared to $7.1 million in fiscal 2009.

SOURCES OF FINANCING

The Company's primary sources of liquidity are from operations and borrowings under its Second Amending Agreement between the Company and National Bank of Canada Inc. dated as of December 9, 2009 (the "Credit Agreement") and also equity financing.

The Company has historically used cash from operations to maintain its existing drills and fund the building or purchase of new rigs to expand capacity and other working capital needs. Pursuant to the Credit Agreement, the Company currently has a 364-day revolving operating facility of up to $7 million to manage working capital requirements throughout the year.

Under the terms of the Credit Agreement, the Company also has a revolving, reducing four year term long term debt facility of a maximum amount of $14,285,712 and a revolving, reducing four year term capital expenditure facility of a maximum amount of $3,600,000.

The Credit Agreement contains restrictive covenants that will limit the Company's ability to undertake certain actions, including mergers, liquidations, dissolutions and changes of ownership; the incurrence of additional indebtedness; encumbering on 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 June 30, 2010, the Company had future contractual obligations as follows:

	Total $	Less than 1 year $	2–3 years $	4–5 years $
Long-term debt	375,271	202,870	172,401	—
Client deposits	557,205	557,205	—	—
Purchase obligations	—	—	—	—
Other long-term obligations	—	—	—	—
Total	932,476	760,075	172,401	—

RELATED PARTY TRANSACTIONS

The Company is related to 2867-3820 Québec Inc. (which is owned by Mr. Pierre Alexandre, the CEO of the Company). The Company is also related to Signal Equity Partners Management Inc.(which is managed by Mr James C. Johnson, the Chairman of the board of directors of the Company).

The Company is also related to 6483976 Canada Inc. (Usinage X-SPEC) due to the significant influence over Usinage X-SPEC 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	**115,837**	94,962
Purchases	**1,981,718**	1,339,092
Rent*	**96,000**	108,534
General and administrative expenses**	**34,987**	—

The 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 fiscal 2009, the Company paid to 2867-3820 Québec Inc., $150,400 for the acquisition of equipment. Management believes that the transaction is consistent with the fair market value of this equipment. This transaction was not made within the normal course of operations and has been recorded at net book value.

The Company is renting* space in buildings owned by 2867-3820 Québec Inc. and, in fiscal 2010, used administrative services from Signal Equity Partners Management Inc**. Management believes that these transactions are consistent with the fair market value of such type of services.

As at June 30, 2010, accounts payable and accrued liabilities include a balance of $726,185 related to these transactions, compared to $376,273 as at June 30, 2009.

ADOPTION OF NEW ACCOUNTING STANDARDS

Goodwill and intangible assets

On July 1, 2009, the Company 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.

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.

SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification. 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.

GOODWILL

Goodwill, representing the excess of purchase price over fair value of the net identifiable assets of acquired businesses, is tested for impairment annually or more frequently when an event or circumstance occurs that indicates that goodwill might be impaired. When the carrying amount exceeds the fair value, an impairment loss is recognized in the statement of earnings in an amount equal to the excess.

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-competition 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.

There was no impairment of long lived assets during fiscal 2010.

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 operation 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.

REVENUE RECOGNITION

Revenue from drilling contracts is recognized on the basis of actual metres drilled for each contract. Revenue from ancillary services is recorded when the service is rendered. The Company recognizes revenue when persuasive evidence of an arrangement exists, service has been rendered, 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.

FUTURE ACCOUNTING CHANGES

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued the following new Handbook sections: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests which replace Section 1581, Business Combinations and Section 1600, Consolidated Financial Statements. These new Sections will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2011. Early adoption is permitted to the extent the three new Sections are adopted simultaneously. Together, the new Sections establish standards for the accounting for a business combination, the preparation of consolidated financial statements and the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company does not expect that the adoption of these new Sections will have a material impact on its consolidated financial statements.

International Financial Reporting Standards

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

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

The Company has implemented a conversion plan aiming to apply IFRS starting June 2011.

This conversion plan includes the following processes:

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

1. *Phase I – Preliminary Analysis*
   - Work to be done
     - The determination of the impact of the choices and obligations related to the IFRS 1, IFRS' *First adoption*, including those related to exemptions and exceptions to the retrospective application of IFRS as at July 1st 2010, but also to quantify of the effects of initial changes pursuant to IFRS 1 concerning the information to be supplied and 2010 financial statements;
     - An identification, during a preliminary phase, of the main differences expected between the current GAAP of Canada and the IFRS concerning the accounting rules to adopt by the Company starting July 1st 2011;
     - The evaluation of the impact of change in accounting frame of reference concerning:
       - Information technologies and information systems;
       - Internal control regarding the financial information;
       - Disclosure controls and procedures with third parties;
       - Required expertise regarding financial information;
       - Commercial activities, as well as items on which measures compliant with the GAAP may have an impact, such as small print clauses, cash requirements and compensation mechanisms.
   - Progress
     - The company has highlighted, on a qualitative basis, the main differences between Canadian GAAP accounting as applied by the company and the IFRS that it will apply in the future;
     - The Company will begin to quantify the highlighted differences and the choices that will be made during the financial year ending June 30, 2011.
     - For organizational reasons, the company decided to perform an assessment of the impacts of the controls and commercial activities during Phase II.

2. *Phase II – Implementation of a conversion plan (on-going since February 2010)*
   This phase, started several weeks ago, consists of:
   - Work to be done
     - Development of content and training sessions on IFRS that would be applicable to the company, for the company's personnel in charge of drafting the financial statements, based on the findings the company made in Phase I.
     - The technical positions documentation, by our team responsible for the production of the financial statements and the validation by the company's management, of the different accounting positions to be adopted by the company, in IFRS 1 as well as other IFRS standards applicable to the Company, in order to quantify in a subsequent step (*Phase III*) the impact of the application of these standards.

     - The assessment of the impact of changing the accounting frame of reference concerning:
       - Information technologies and information systems;
       - Internal control regarding the financial information;
       - Disclosure controls and procedures with third parties;
       - Required expertise regarding financial information;
       - Commercial activities, as well as items on which measures compliant with the GAAP may have an impact, such as small print clauses, cash requirements and compensation mechanisms.
   - Progress
     - *Expertise in financial reporting*

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

- *Accounting standards*
  The Company is currently in the process of documenting the different technical positions applicable as per IFRS, on a comparative basis with GAAP. Management had initially set as an objective, for the key issues, that this documentation be completed by June 30 2010, to be able to start preparing:
  - Opening balance sheet as at July 1st 2010;
  - 2010 financial information as per IFRS (including notes to the financial statements) in order to submit the quarterly and annual comparative information for the period 2010-2011.
  - Due to organizational issues and in order to finalize a deeper analysis of potential accounting differences between Canadian GAAP and IFRS, the analysis period of key IFRS impacting the Company's financial statements has been extended to the end of the second quarter of its fiscal year ending June 30, 2011.
- *Information technologies and data systems*
  The Company did not, at this time, identify any need for change on its systems, considering that the systems currently established allow for the production of financial information compliant with IFRS until September 30, 2011, first quarter for which the Company will produce interim financial statements as per the new accounting frame. If the Company was brought to change its opinion, this information would be included in the first management discussion and analysis concerning the period in which this modification necessity would arise.
- *Financial restrictive clauses and compensation standards*
  The Company is presently evaluating the consequences of the changeover to IFRS on these different elements and will produce additional information for readers of its financial statements when they are known.
- *Internal control on financial reporting and information disclosure controls and procedures*
  The Company, simultaneously to the documentation of its different accounting positions, evaluates the necessity to modify its internal control process and financial information disclosure. Any identification of a required modification is and will be subject to modification of these processes in order to comply with the correct application of the IFRS and ensure the effectiveness of the current controls.

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

While the Company has not finalized decisions, it currently expects to elect the following exemptions to retrospective application:

- Business Combinations – The relevant standard (i.e. IFRS 3, Business Combinations) under IFRS may be applied retrospectively or prospectively on transition. The Company expects to elect not to restate acquisitions prior to the IFRS transitional date of July 1, 2010.
- Foreign Currency – The Company expects to reset the cumulative translation gains and losses to nil at transition (reverse against retained earnings) instead of computing the translation gain and loss amounts retrospectively under IFRS.
- Share-based payment – Under IFRS 1, a first-time adopter is encouraged, but not required, to apply IFRS 2, Share-based Payment to equity instruments that were granted on or before November 7, 2002. A first-time adopter is also encouraged, but not required, to apply IFRS 2 to equity instruments that were granted after November 7, 2002 and vested before the date of transition to IFRS, i.e. July 1, 2010. The Company has decided to use this exemption and will not therefore restate such grants. However, for equity instruments

granted after November 7, 2002 and not vested as of July 1, 2010, the Company will be required to retrospectively apply IFRS 2 to such grants.

Quantified impacts of such elections have not yet been calculated by the Company but should not be material to the financial statements.

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

CRITICAL ACCOUNTING ESTIMATES

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

OUTSTANDING SECURITIES AS OF SEPTEMBER 21, 2010

	2010
Number of shares	**32,738,684**
Number of options	**1,973,000**
Fully diluted	**34,711,684**

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

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 facing the Company. Additional risks and uncertainties not presently known to the Company, or that the Company currently deems immaterial, may also impair the operations of the Company. If any such risks actually occur, the business, financial condition, liquidity and results of operations of the Company could be materially adversely affected.

Risks Related to the Business and the Industry

Cyclical Downturns

Demand for drilling services and products depends significantly on the level of mineral exploration and development activities conducted by mining companies which in turn are driven significantly by commodity prices. There is a continued risk that low commodity prices could substantially reduce future exploration and drilling expenditures by mining companies which in turn could result in a decline in the demand for the drilling services offered by the Company and would materially impact the Company's revenue, financial condition, cash flows and growth prospects.

Sensitivity to General Economic Conditions

The operating and financial performance of Orbit Garant is influenced by a variety of international and country-specific general economic and, business conditions (including inflation, interest rates and exchange rates) access to debt and capital markets, as well as monetary and regulatory policies. Deterioration in domestic or international general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could have a material adverse effect on the financial performance and condition, cash flows and growth prospects of the Company.

Reliance on and Retention of Employees

In addition to the availability of capital for equipment, a key limiting factor in the growth of drilling services companies is the supply of qualified drillers, who the Company relies upon to operate its drills. As such, the ability to attract, train and retain high quality drillers is a high priority for all drilling services providers. A failure by the Company to retain qualified drillers or attract and train new qualified drillers could have a material adverse effect on the Company's financial performance, financial condition, cash flows and growth prospects. In addition, rising rates paid to drillers and helpers will exert pressure on the Company's profit margins if it is unable to pass on such higher costs to its customers through price increases.

Increased Cost of Sourcing Consumables

When bidding on an underground drilling contract, the cost of sourcing consumables is a key consideration in deciding upon the pricing. Underground drilling contracts are typically for one to two years and expose the Company to an increase in the cost of consumables and labor during that period of time. A material increase in the cost of the labor or consumables during that period could result in materially higher costs and could materially reduce the Company's financial performance, financial condition, cash flows and growth prospects.

Leverage and Restrictive Covenants

Orbit Garant entered into the Credit Agreement in order to provide it with credit facilities to fund, among other things, working capital and acquisitions. The degree to which Orbit Garant is leveraged could have important consequences including: Orbit Garant's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; a significant portion of Orbit Garant's cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations, and certain of Orbit Garant's borrowings (including borrowings under the Credit Agreement) will be at variable rates of interests, which exposes Orbit Garant to the risk of increased interest rates which may have an adverse effect on Orbit Garant's financial condition.

The Credit Agreement contains numerous restrictive covenants that limit the discretion of Orbit Garant's management with respect to certain business matters. These covenants are anticipated to place significant restrictions on, among other things, changes in ownership and the ability of Orbit Garant to create liens or other encumbrances, to pay dividends or make certain other payments, investments, acquisitions, capital expenditures, loans and guarantees and to sell or otherwise dispose of assets and merge with another entity. In addition, the Credit Agreement contains financial covenants that require Orbit Garant to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in the Credit Agreement could result in a default which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the Credit Agreement were to be accelerated, there can be no assurance that the assets of Orbit Garant would be sufficient to repay in full that indebtedness. In addition, the Credit Agreement will mature no later than June 2012. There can be no assurance that future borrowings or equity financing will be available to Orbit Garant, or available on acceptable terms, in an amount sufficient to fund Orbit Garant's needs. This could, in turn, have a material adverse effect on the business, financial condition and results of operations of Orbit Garant.

At the end of June 30, 2010, the Company complied with all covenants.

Access of Customers to Equity Markets

Economic factors may make it more difficult for mining companies, particularly junior mining companies, to raise money to fund exploration activity. This difficulty would have an adverse impact on the demand for drilling services and could have a material adverse effect on the financial performance, financial condition, cash flows and growth prospects of the Company.

Ongoing Integration of Business Systems

The Company has recently installed new inventory and operating information and technology systems. These systems are designed to improve the business operations and management oversight. However, there may be a level of disruption to the business with incorrect information produced and relied upon while implementation and training is being completed and management's attention may be diverted to ensuring the successful integration of the new technology during this process. The Company's financial performance, financial condition, cash flows and growth prospects may be adversely affected by any implementation problems associated with the business systems.

Acquisitions

The Company is continuously seeking business acquisitions. It may be exposed to business risks or liabilities for which it may not be fully indemnified or insured. The ongoing integration of existing and new computer systems, equipment and personnel may impact the success of the acquisitions. Any issues arising from the integration of the acquired businesses, including the integration of the accounting software, may require significant management, financial or personnel resources that would otherwise be available for ongoing development and expansion of the Company's existing operations. If this happens, it may have a material adverse effect on the financial performance, financial condition, cash flows and growth prospects of the Company.

Supply of Consumables

The Company's strong growth could place pressure on the ability of Soudure Royale and Usinage X-Spec to manufacture and deliver to the Company, respectively, new drills and consumables. Any negative impact on the ability of Soudure Royale and Usinage X-Spec to deliver their products may constrain the Company's ability to increase its capacity and increase or maintain revenue and profitability.

Competition

The Company faces considerable competition from several large drilling services companies and many smaller, regional competitors. Some of the Company's competitors have been in the drilling services industry for a longer period of time and have substantially greater financial and other resources than the Company. Increased competition in the drilling services market may adversely affect the Company's current market share, profitability and growth opportunities. The capital cost to acquire drilling rigs is relatively low, enabling competitors to finance expansion and providing opportunity for new competitors to enter the market. This dynamic exposes the Company to the risk of reduced market share and scope for geographic growth as well as lower revenue and margin for its existing business. In addition, there can be no guarantee that the scale advantage that the Company currently enjoys in the Val-d'Or region will continue. Any erosion of the Company's competitive position could have a material adverse effect on the Company's business, results of operations, financial condition and growth prospects.

A significant portion of the drilling services business is a result of being awarded contracts through a competitive tender process. It is possible that the Company may lose potential new contracts to competitors if it is unable to demonstrate reliable performance, technical competence and competitive pricing as part of the tender process or if mining companies elect not to undertake a competitive tender process.

Inability to Sustain and Manage Growth

The Company's revenue has grown in recent years as a result of the combination of Orbit and Garant, the acquisition of Drift and Forage +, and an increase in demand for drilling services. The Company's ability to sustain its growth will depend on a number of factors, many of which are beyond the Company's control, including, but not limited to, commodity prices, the ability of mining companies to raise financing and the demand for raw materials from large, emerging economies such as the Brasil, Russia,India and China ("BRIC") economies. In addition, the Company is subject to a variety of business risks generally associated with growing companies. Future growth and expansion could place significant strain on the Company's management personnel and likely will require the Company to recruit additional management personnel.

There can be no assurance that the Company will be able to manage its expanding operations (including any acquisitions) effectively, that it will be able to sustain or accelerate its growth or that such growth, if achieved, will result in profitable operations, that it will be able to attract and retain sufficient management personnel necessary for continued growth, or that it will be able to successfully make strategic investments or acquisitions. The failure to accomplish any of the foregoing could have a material adverse effect on the Company's financial performance, financial condition, cash flows and growth prospects.

Future Acquisition Strategy

The Company intends to continue to grow through acquisitions in addition to organic growth. There is considerable competition within the drilling services industry for attractive acquisition targets. It is not possible to ensure that future acquisition opportunities will exist on acceptable terms, or that newly acquired or developed entities will be successfully integrated into the Company's operations. Additionally, the Company cannot give assurances that it will be able to secure the adequate financing on acceptable terms to pursue this strategy.

Customer Contracts

The Company's surface drilling customer contracts are typically for a term of six to 12 months and its underground drilling customer contracts are typically for a term of one to two years and can be cancelled by the customer on short notice in prescribed circumstances with limited or no amounts payable to the Company. There is a risk that existing contracts may not be renewed or replaced. The failure to renew or replace some or all of these existing contracts and cancellation of existing contracts could have a material adverse effect on the Company's financial performance, financial condition, cash flows and growth prospects. In addition, consolidation by the Company's customers could materially adversely affect the Company's results of operations and financial condition.

International Expansion and Instability

Expansion internationally entails additional political and economic risk. Some of the countries and areas targeted by the Company for expansion are undergoing industrialization and urbanization and do not have the economic, political or social stability that many developed nations now possess. Other countries have experienced political or economic instability in the past and may be subject to risks beyond the Company's control, such as war or civil disturbances, political, social and economic instability, corruption, nationalization, terrorism, expropriation without fair compensation or cancellation of contract rights, significant changes in government policies, breakdown of the rule of law and regulations and new tariffs, taxes and other barriers. There is a risk that the Company's operations, assets, employees or repatriation of revenue could be impaired or adversely affected by factors related to the Company's international expansion and have a material adverse effect on the financial performance, financial condition, cash flow and growth prospects of the Company.

Operational Risks and Liability

Risks associated with drilling include, in the case of employees, personal injury and loss of life and, in the case of the Company, damage and destruction to property, equipment, release of hazardous substances to the environment and interruption or suspension of drill site operation due to unsafe drill operations. The occurrence of any of these events may have an adverse effect on the Company, including financial loss, key personnel loss, legal proceedings and damage to the Company's reputation.

In addition, poor or failed internal processes, people or systems, along with external events could negatively impact the Company's operational and financial performance. The risk of this loss, known as operational risk, is present in all aspects of the business of the Company, including, but not limited to, business disruptions, technology failures, theft and fraud, damage to assets, employee safety, regulatory compliance issues or business integration issues The number and significance of the changes and the possibility that the Company may not be able to successfully implement the changes made may adversely affect the performance of the business and its financial condition, cash flows and growth prospects of the Company.

Currency Exposure

The Company currently has approximately $ 1.4 million of U.S. dollar revenue exposure primarily related to the surface reverse circulation drilling business carried on by Drift. There can be no assurance that this exposure will not change in the future and that a significant portion of the Company's revenue could potentially be denominated in a currency or currencies other than the Canadian dollar, fluctuations of which could cause a negative impact on the Company's financial performance and condition and cash flows performance.

Business Interruptions

Business interruptions as a result of a variety of factors, including regulatory intervention, delays in necessary approvals and permits, health and safety issues or product input supply bottlenecks. In addition, the Company operates in a variety of geographic locations, some of which are prone to inclement weather conditions, natural or other disasters. The occurrence of such conditions or any business interruption could have a material adverse effect on the Company's financial performance, financial condition, cash flows and growth prospects.

Risk to the Company's Reputation

Risks to the Company's reputation could include any negative publicity, whether true or not, and could cause a decline in the Company's customer base and have a material adverse impact on the Company's financial performance, financial condition, cash flows and growth prospects. All risks have an impact on reputation, and as such, reputational risk cannot be managed in isolation from other types of risk. Every employee and representative of the Company is charged with upholding its strong reputation by complying with all applicable policies, legislation and regulations as well as creating positive experiences with the Company's customers, stakeholders and the public.

Environment, Health and Safety Requirements and Related Considerations

The operations of the Company are subject to a broad range of federal, provincial, state and local laws and regulations as well as permits and other approvals, including those relating to the protection of the environment and workers' health and safety governing, among other things, air emissions, water discharges, non-hazardous and hazardous waste (including waste water), storage, handling, disposal and clean-up of dangerous goods and hazardous materials such as chemicals, remediation of releases and workers' health and safety in Canada and elsewhere (the ''Environment, Health and Safety Requirements''). As a result of the Company's operations, it may be involved from time to time in administrative and judicial proceedings and inquiries relating to Environment, Health and

Safety Requirements. Future proceedings or inquiries could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's employees are required to attend at worksites of its clients, many of whom insist on compliance with internal health and safety and environmental policies. The activities at these worksites may involve operating hazards that can result in personal injury and loss of life. There can be no assurance that the Company's insurance will be sufficient or effective under all circumstances or against all claims or hazards to which it may be subject or that it will be able to continue to obtain adequate insurance protection. A successful claim or damage resulting from a hazard for which it is not fully insured could adversely affect the Company's results of operations. In addition, if the Company is seen not to adequately implement health and safety and environmental policies, its relationships with its customers may deteriorate, which may result in the loss of contracts and restrict its ability to obtain new contracts.

Insurance Limits

The Company maintains property, general liability and business interruption insurance. However, there can be no assurance that such insurance will continue to be offered on an economically feasible basis, that all events that could give rise to a loss or liability are insurable, or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of the Company.

Legislative and Regulatory Changes

Changes to any of the laws, rules, regulations or policies affecting the business of the Company would have an impact on the Company's business and may significantly and adversely affect the operations and financial performance of the Company.

Legal and Regulatory Risk

The mining and drilling industries are highly regulated by legal, environmental and health and safety regulations. Failure to comply with such regulations could lead to penalties, including fines or suspension of operations which could have a significant impact on the financial strength and future earnings potential of the Company. Furthermore, the Company's mineral exploration customers are also subject to similar legal, regulatory, health and safety regulations which could materially affect their decision to go ahead with mineral exploration or mine development and thereby indirectly negatively impact the Company.

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.

The influence of Existing Shareholders

As at September 21, 2010, the influence by Existing Shareholders 1684182 Ontario L.P. ("**1684182 Ontario**") and 1684182 Ontario (International) L.P. ("**1684182 International**" and, together with 1684182 Ontario, the "**Private Equity Investors**") and Pierre Alexandre, the CEO of the Company, hold or control, directly or indirectly, respectively approximately 9.5% and 32% of Orbit Garant's outstanding Common Shares. As a result, such shareholders have 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 take-over bids and business combinations, and correspondingly affect its share price.

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

The Private Equity Investors and Pierre Alexandre hold or control, directly or indirectly, approximately 9.5% and 32% respectively, of the Company's outstanding Common Shares. Although certain of Orbit Garant's shareholders are subject to certain ''standstill'' provisions for a limited period of time, if one or more of such shareholders sell a substantial number of Common Shares in the public market, the market price of the Common Shares could decline. 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.

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 credit worthy 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.

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 54% of the accounts receivable.

As at June 30, 2010, 54.9% of the trade accounts receivable are aged as current and 5% of receivables are impaired.

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

One major customer represents 10% of the contract revenue for the year ended June 30, 2010, (for the period ended June 30, 2009, three major customers represented 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 ratings.

The company does not enter into derivatives to manage credit risk

Interest Rate Risk

The Company is subject to interest rates 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 rates would have no significant impact on earnings before income taxes.

Fair value

The fair value of cash, accounts receivable, bank overdraft, bank loan, accounts payable and accrued liabilities, client deposits and advances from shareholders 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.

OUTLOOK

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

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

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

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

The board of directors has approved $15.3 million in Property, Plant and Equipment for the 2011 fiscal year which includes:

- 16 new drilling rigs;
- support equipment;
- the planning, remodeling and logistics of the relocation of the head office,

thus consolidating the administration offices, most of the maintenance activities and Soudure Royale, the manufacturing division.

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

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

SUPPLEMENTAL DISCLOSURE

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

DISCLOSURE CONTROLS AND PROCEDURES

Management of the Company is responsible for establishing and maintaining disclosure controls and procedures for the Company as defined under Multilateral Instrument 52-109 issued by the Canadian Securities Administrators. Management has designed such disclosure controls and procedures, or caused them to be designed under its supervision, to provide reasonable assurance that material information relating to the Company, including its subsidiaries, is made known to the Chief Executive Officer and the Chief Financial Officer by others within those entities, particularly during the period in which the annual filings are being prepared.

Management of the Company has evaluated the effectiveness of its disclosure controls and procedures as of June 30, 2010 and has concluded that the design and effectiveness of these controls and procedures provides reasonable assurance that material information relating to the Company, including its subsidiaries will be made known to management on a timely basis to ensure adequate disclosure.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's CEO and 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 has inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

During fiscal 2010, management, including its CEO and CFO, evaluated the existence and design of the Company's ICFR and confirm there were no changes to the ICFR that have occurred during the year which materially affected, or are reasonably likely to materially affect, the Company's ICFR. The Company continues to review and document its disclosure controls and its ICFR, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that its systems evolve with the business. As of June 30, 2010, an evaluation was carried out, under the supervision of the CEO and CFO, of the effectiveness of the Company's ICFR as defined in NI 52-109. Based on this evaluation, the CEO and the CFO concluded that the design and operation of these ICFR were effective.

The evaluations were conducted in accordance with the framework and criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), a recognized control model, and the requirements of NI 52-109.