MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis ("MD&A") is a review of the results of operations, the liquidity and the capital resources of Orbit Garant Drilling Inc. This discussion contains forward-looking statements. Please see ''Forward-Looking Statements'' for a discussion of the risks, uncertainties and assumptions relating to these statements.

This MD&A should be read in conjunction with the comparative audited consolidated financial statements for the period ended June 30, 2011 as compared with the corresponding period of the previous year and also with the audited consolidated financial statements and MD&A contained in the Company's annual report for the fiscal year ended June 30, 2010.

The Company's 2011 audited consolidated financial statements were prepared using accounting policies and methods consistent with those used in the preparation of the Company's audited consolidated financial statements for the year ended June 30, 2010.The consolidated financial statements conform in all respects to the requirements of Canadian generally accepted accounting principles (GAAP) for annual financial statements, with the exception of certain note disclosures. All amounts in this MD&A are in Canadian dollars, except where otherwise noted.

In this MD&A, references to the "Company" or to "Orbit Garant" shall mean, as the context may require, either Orbit Garant Drilling Inc., or Orbit Garant Drilling Inc. together with its wholly owned subsidiaries.

This MD&A is dated September 21, 2011. Disclosure contained in this document is current to that date unless otherwise stated.

Percentage calculations are based on numbers in the Financial Statements and may not correspond to rounded figures presented in this MD&A.

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

Forward-Looking statements

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

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

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

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

Corporate overview

From its head office in Val-d'Or, Québec, Orbit Garant manages a fleet of 180 drilling rigs that services the mining industry in Canada and internationally. The Company has a cost efficient infrastructure and is vertically integrated with its subsidiary, Soudure Royale, which manufactures drill rigs for the Company and third parties (and so provides a competitive advantage in the provision of drilling services). The Company focuses on "specialized drilling", which refers to those drilling projects that are in remote locations or, in the opinion of management, because of the scope, complexity or technical nature of the work, cannot be completed by small conventional drilling companies.

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

The legal corporate name of 1085820 Ontario Limited was changed on February 8, 2011 to Orbit Garant Ontario Inc. (Orbit Garant Ontario). Prior to that date, the activities of Morris Drilling Inc. were integrated into 1085820 Ontario Limited.

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

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

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

The Company provides both surface and underground drilling services, which account for approximately 63% and 35% of the Company's revenues, respectively. The manufacturing division accounts for the remaining 2% of revenue.

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

Orbit Garant operates in stable jurisdictions, with approximately 85% of the Company's revenues generated in Canada. The Company also operates in the USA, Mexico and Guyana. Approximately 98% of the Company's revenue is in Canadian dollars, which provides greater stability.

Approximately 70% of the Company's customers are major and intermediate-sized mining companies, with which the Company has contracts of one to three years in length.

Business strategy

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

- Focusing primarily on major and well financed intermediate mining and exploration companies operating in stable jurisdictions;
- Providing conventional and specialized drilling services;
- Manufacturing drills and equipment to fit the needs of customers;
- Maintaining a strong commitment to R&D and advanced drilling technologies;

- Providing training courses for the Company's personnel, to continuously improve labour efficiency and ensure the availability of a skilled labour force;
- Maintaining a high level of safety standards in the work environment, and promoting protection of the environment;
- Establishing and maintaining long-term relationships with customers;
- Cross-selling drilling services to existing customers; and
- Expanding its bases of operations in strategic regions, such as Orbit Garant Ontario, based in Sudbury, Ontario.

Industry Overview

Demand for services in the mineral drilling industry is driven by conditions in the global precious and base metals markets. The strength of demand is determined by price levels for precious and base metals and the availability of capital to finance exploration and development programs and/or ongoing mining operations. Although there remains uncertainty in global economic conditions and the current state of financial markets; record gold prices, combined with strong base metal pricing, have created strong and steady demand for drilling services.

Global mineral exploration and mine development drilling budgets have continued to recover from the market downturn in 2009. Based on preliminary estimates from Metals Economics Group (MEG), a leading independent resource for global mining industry information and analysis, global nonferrous exploration budgets will exceed US$17 billion in 2011 for expenditures related to precious and base metals, diamonds, uranium and some industrial metals. This would represent an increase of approximately 50% from the 2010 total and according to MEG, a new all-time high. Further, Natural Resources Canada (NRCan) projects that 2011 exploration budgets in Canada will almost equal the record levels attained in 2008. These projections support Orbit Garant's forecasts for solid demand for drilling services in the short-intermediate term. In the longer term, increasing global demand, particularly from the emerging economies of the BRIC nations (Brazil, Russia, India, China), combined with the lack of significant new discoveries, requires exploration for new mineral deposits, or the expansion of drilling activity on existing deposits, leading to increased demand for drilling services.

Gold

With the current uncertainty concerning global economic conditions and financial markets, largely due to sovereign debt issues in Europe, Standard & Poor's recent downgrade of the U.S. credit rating, and concerns over a weakening global economy; gold has once again emerged as a preferred safe haven for capital. This has resulted in strong demand and record gold prices of more than $1,900 an ounce in early September , 2011, which, in turn, has resulted in robust cash flows for gold producers and strong access to capital for companies with highly prospective exploration and / or development properties.

Despite rising prices for gold, mine supply growth has been modest and output actually declined between 2005 and 2008. However, in 2009 and 2010 mine production increased significantly, as more projects became economically viable. Gold production has now recovered to 2001 peak levels. Many gold producers plan on using their cash reserves to explore for new projects or expand existing deposits in efforts to replace or replenish reserves. MEG reports that, since 1997, replacement of gold reserves through exploration may not have been sufficient to meet future demand. As gold companies focus on exploration and mine expansion, demand for drilling and drilling services is expected to continue to be strong.

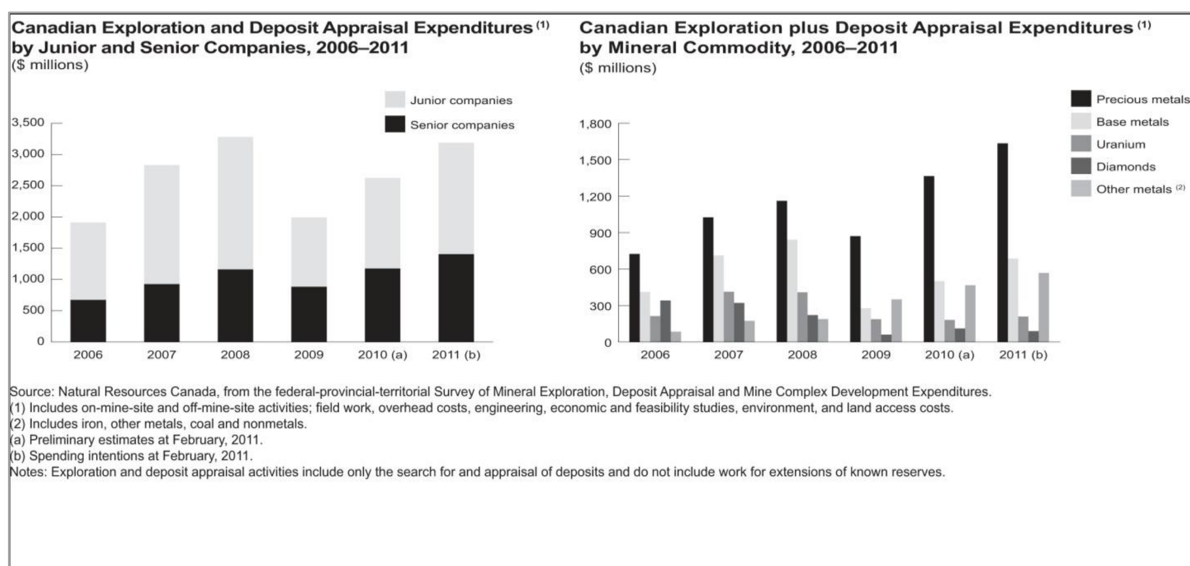
Base Metals

Global economic uncertainty has resulted in recent volatility for base metal prices. However, prices for aluminum, copper, lead, nickel and zinc – the primary industrial metals – are all still well above the five-year price lows experienced in late 2008 and early 2009, and well above average costs of production. In fact, copper prices – widely considered a bellwether indicator for global economic conditions – averaged US$4.20 per pound in August, 2011, not far below copper's historical spot price high of US$4.60 per pound in February, 2011. Base metals prices have been supported by increasing global demand, supply disruptions and heightened investor interest. With increasing demand and new supply slow to come on stream, the demand/supply balance is expected to be favourable to producers, resulting in solid pricing and steady demand for drilling services.

Market Participants

With improved precious and base metals prices since the market bottom in early 2009, the mining industry has become increasingly healthy. Many large companies, which have increased reserve levels in recent years only through upgrades at existing mines and/or M&A activity, are ramping up exploration budgets. Intermediate and junior companies, which were conserving cash through the recession, increased their exploration budgets in 2010 and the spending trend has continued into 2011.

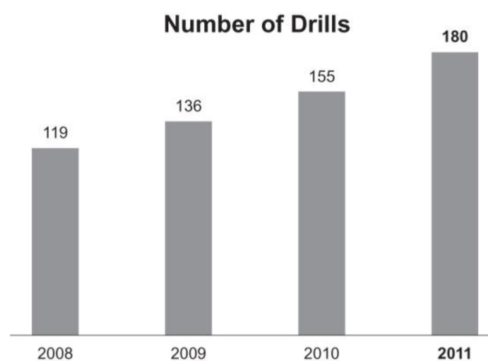
According to MEG, Canada attracted $2.2 billion or 19% of worldwide nonferrous exploration allocations in 2010, and greater exploration spending has continued into the current year. Based on a survey of resource companies conducted in February 2011, NRCan projects Canadian exploration spending to exceed $3.0 billion in 2011. Ontario, Quebec, Saskatchewan, and British Columbia account for approximately three-quarters of Canadian exploration spending. With the vast majority of spending in these jurisdictions, Orbit Garant's strong position in Quebec and expansion into Ontario should position it well for future opportunities.



OVERALL PERFORMANCE
RESULTS OF OPERATION YEAR ENDED JUNE 30, 2011

YEAR ENDED JUNE 30 * ($millions)	Fiscal 2011	Fiscal 2010	2011 vs. 2010 Variation	Variation (%)
Revenue *	127.7	110.0	17.7	16.2
Gross profit *	35.3	33.6	1.7	4.9
Gross margin (%)	27.6	30.6		(3.0)
EBITDA * (1)	26.5	27.9	(1.4)	(4.9)
Meters drilled	1,413,332	1,298,124	115,208	8.9
Net earnings *	12.1	12.6	(0.5)	(3.6)
Net earnings per common shares - Basic ($)	0.37	0.38		
- Diluted ($)	0.36	0.38		

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



During fiscal 2011, the Company added a total of 25 drill rigs, of which 20 were manufactured by Soudure Royale, the manufacturing division of the Company, and 5 were acquired through the acquisition of Morris Drilling Inc.

SELECTED ANNUAL FINANCIAL INFORMATION

For the year ended June 30 * ($millions)	Fiscal 2011	Fiscal 2010	Fiscal 2009
	12 months	12 months	12 months
Contract revenue			
Drilling Canada*			
- Surface*	**61.5**	52.6	54.9
- Underground*	**44.1**	46.6	45.8
	105.6	99.2	100.7
Driling International – Surface	**19.0**	10.2	3.8
Manufacturing Canada*	**3.1**	0.6	0.7
Total*	**127.7**	110.0	105.2
Gross profit *	**35.3**	33.6	36.1
Gross profit (%)	**27.6**	30.6	34.3
Net earnings *	**12.1**	12.6	12.6
Net earnings per common share ($)	**0.37**	0.38	0.39
Net earnings per common share diluted ($)	**0.36**	0.38	0.38
Total assets*	**140.9**	108.5	102.9
Long term debt*	**14.7**	0.2	10.7
Dividend in cash*	**-**	-	-
Total meters drilled (million)	**1.4**	1.3	1.1
EBITDA *	**26.5**	27.9	28.0
EBITDA %	**20.8**	25.4	26.6

*** See supplemental disclosure**

RESULTS OF OPERATIONS

FISCAL 2011 COMPARED TO FISCAL 2010

CONTRACT REVENUE

During the fiscal year ended June 30, 2011, the Company recorded contract revenue of $127.7 million compared to $110.0 million in fiscal 2010, representing an increase of $17.7 million, or 16.2%. The increase is attributable to new drilling contracts, the acquisition of Morris Drilling and price increases.

Domestic surface drilling contract revenue increased to $61.5 million in fiscal 2011, compared to $52.6 million in fiscal 2010, representing an increase of $8.9 million, or 17.1%. The increase reflects additional meters drilled from existing and new contracts.

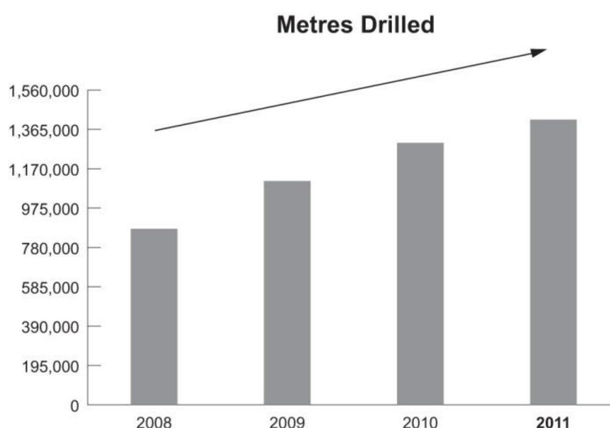
Underground drilling contract revenue decreased 5.2% to $44.1 million in fiscal 2011, compared to $46.6 million in fiscal 2010, as a result of a reduction in meters drilled and reduced prices on contracts renewed at the beginning of the 2011 fiscal year.

The Company increased its total meters drilled by 8.9% to more than 1.4 million meters during the fiscal year, due to increased demand resulting from exploration and mine development drilling programs.

International drilling contract revenue increased 86% to $19.0 million in fiscal 2011 compared to $10.2 million in fiscal 2010. The increase of $8.8 million is attributable to the additional meters drilled and price increases.

Manufacturing Canada generated $3.1 million of revenue in fiscal 2011, compared to $0.6 million in fiscal 2010. During fiscal 2011, Soudure Royale and Orbit Garant Ontario manufactured equipment, supplies, and performed maintenance services for the Company and third parties.

Orbit Garant generated a gross margin of 27.6% for fiscal 2011 compared to 30.6% in fiscal 2010. The decline resulted from a competitive pricing environment, along with incremental expenses related to growth such as hiring new, less-experienced drillers, as well as some one-time costs related to extreme weather conditions on some drill sites and a fire on one site during the third quarter. Margins continue to be impacted in the short-term by hiring, training and mobilization of new drilling crews. As the new crews continue to develop, management expects profit margins to improve. Orbit Garant expects revenue growth to remain solid and prices to improve as long-term contracts come due for renewal.



GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative (G&A) expenses were $9.2 million for fiscal 2011, compared to $6.6 million in fiscal 2010. G&A expenses represented 7.2% of sales during fiscal 2011, compared to 6.0% in fiscal 2010, reflecting the Advantage Control Technologies and Morris Drilling Inc. acquisitions, the establishment of a new office in Sudbury, the consolidation of the Company's Val-d'Or operations in a new facility, and increased personnel at the Company's Val-d'Or operations to support future growth.

EBITDA (see SUPPLEMENTAL DISCLOSURE)

EBITDA was $26.5 million for fiscal 2011, compared to $27.9 million in fiscal 2010, a decrease of $1.4 million, or 4.9%. EBITDA for fiscal 2011 represented 20.8% of sales, compared to 25.4% in fiscal 2010.

FINANCIAL EXPENSES

Interest on long-term debt for fiscal 2011 was $0.3 million, compared to $0.2 million in fiscal 2010.

AMORTIZATION

Amortization of capital assets was $7.2 million in fiscal 2011, compared to $5.5 million in fiscal 2010. The increase resulted primarily from the acquisition of property, plant and equipment.

Amortization of intangible assets was $1.5 million in fiscal 2011, compared to $3.9 million in fiscal 2010, as some intangible assets were fully amortized and some were added due to recent business acquisitions.

INCOME TAXES

Income taxes were $5.3 million in fiscal 2011, compared to $5.6 million in fiscal 2010.

NET EARNINGS

Net earnings in fiscal 2011 totalled $12.1 million, or $0.37 per common share ($0.36 per share diluted), compared to $12.6 million, or $0.38 per common share ($0.38 per share diluted) in fiscal 2010. This decrease is primarily attributable to the decline in gross margin and increased G&A expenses.

SUMMARY ANALYSIS OF FISCAL 2010 COMPARED TO FISCAL 2009

Revenue for the fiscal year ended June 30, 2010 was $110.0 million compared to $105.2 million for fiscal 2009, representing an increase of 4.6%.

Gross margins for fiscal 2010 were 30.6%, compared to 34.3 % for fiscal 2009. Total gross profit during fiscal 2010 was $33.6 million, compared to $36.1 million for fiscal 2009, representing a decrease of 10.8%. The decline was a result of a more competitive pricing environment due to prevailing economic environment.

Net earnings for fiscal 2010 totaled $12.6 million, in line with fiscal 2009.

Earnings per share of $0.38 (or $0.38 per share diluted) for fiscal 2010 compared to $0.39 per share (or $0.38 per share diluted) for fiscal 2009.

OVERALL PERFORMANCE

SUMMARY OF QUARTERLY RESULTS

		Fiscal 2011				Fiscal 2010			
* ($millions)		June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30
Contract revenue *		41.1	33.4	25.9	27.4	33.1	28.8	23.7	24.4
Gross profit *		12.0	8.6	7.5	7.1	9.1	8.9	7.6	8.0
Gross margin %		29.2	25.7	29.1	26.1	27.6	31.0	32.0	32.8
Net earnings *		4.7	2.4	2.7	2.2	4.0	3.7	2.4	2.5
EBITDA (1) *		9.4	6.1	5.8	5.3	7.8	7.9	6.0	6.2
Net earnings per common share ($)	- Basic	0.15	0.07	0.08	0.07	0.12	0.11	0.07	0.08
	- Diluted	0.14	0.07	0.08	0.07	0.12	0.11	0.07	0.08

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

Revenue per meter drilled decreased during fiscal 2010 as a direct result of a more competitive environment and started to increase in the second part of fiscal 2011, due to significant demand for drilling services. Orbit Garant increased the number of meters drilled in fiscal 2011 to 1.4 million meters, up from 1.3 million meters in fiscal 2010, driving strong revenue growth.

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 2011 COMPARED TO FISCAL 2010

CONTRACT REVENUE

During the fourth quarter of the fiscal year ended June 30, 2011 (Q4 FY 2011) revenues were $41.1 million, which represents an increase of $8.0 million or 24.1% compared to the quarter ended June 30, 2010 (Q4 FY 2010). Increased revenue is attributable to an increase in the number of meters drilled from 378,687 in Q4 FY 2010 to 426,525 in Q4 FY 2011, and increased revenue per meter due to price increases.

Underground drilling revenue decreased to $11.4 million in Q4 FY 2011, from $11.6 million in Q4 FY 2010, representing a decrease of 2.0%. The decrease resulted from a reduction in meters drilled, partially offset by price increases.

Domestic surface drilling revenue was $21.5 million in Q4 FY 2011, compared to $16.8 million in Q4 FY 2010, representing an increase of 27.8%. Most of the increase was attributable to the Company's new Ontario operations. International drilling revenue was $7.3 million in Q4 FY 2011 compared to $4.1 million in Q4 FY 2010, an increase of 76.6%. This is a direct result of new contracts initiated during the fiscal 2011 and price increases.

Revenue from the manufacturing division was $0.9 million during Q4 FY 2011 compared to $0.6 million for Q4 FY 2010. Demand for new drills from third parties has increased, but Orbit Garant continues to utilize capacity at Soudure Royale to manufacture drills and equipment for its own fleet. The addition of Orbit Garant Ontario also contributed to increased manufacturing revenue.

GROSS MARGIN AND PROFIT

Overall gross profit for Q4 FY 2011 was $12.0 million, an increase of $2.9 million, or 31.4%, from $9.1 million in the comparable period of fiscal 2010. Gross margin for Q4 FY 2011, was 29.2% compared to 27.6% for the corresponding period last year. This increase in gross profit is primarily attributable to increased activity in higher margin international drilling.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses were $2.8 million in Q4 FY 2011 compared to $1.5 million for the same period last year. G&A expenses represented 6.9 % of sales in Q4 FY 2011, compared to 4.5 % of sales for the same period in fiscal 2010. Increased G&A expenses reflect the Advantage Control Technologies and Morris Drilling Inc. acquisitions, the establishment of a new office in Sudbury, the consolidation of the Company's Val-d'Or operations in a new facility, and increased personnel at the Company's Val-d'Or operations to support future growth.

EBITDA (see SUPPLEMENTAL DISCLOSURE)

EBITDA was $9.4 million in the fourth quarter of fiscal 2011, compared to $7.8 million in the same period of the prior year, an increase of $1.6 million, or 21.0%. EBITDA in Q4 FY 2011 represented 22.9% of sales, compared to 23.5% of sales in the corresponding period in fiscal 2010.

FINANCIAL EXPENSES

Interest costs related to long-term debt and bank charges were $0.1 million in Q4 FY 2011, comparable to negligible in Q4 FY 2010.

AMORTIZATION

Amortization of Property, Plant and Equipment was $2.0 million for Q4 FY 2011, compared to $1.5 million for Q4 FY 2010.

In Q4 FY 2011, amortization of intangible assets decreased to $0.5 million, compared to $0.6 million in Q4 FY 2010.

INCOME TAXES

Income taxes were $2.0 million for Q4 FY 2011 compared to $1.7 million for the same period last year.

NET EARNINGS

Net earnings for Q4 FY 2011 were $4.7 million, or $0.15 per share ($0.14 per diluted share), compared to $4.0 million, or $0.12 per share ($0.12 per diluted share) for the corresponding period in fiscal 2010.

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 $2.1 million earned in U.S. dollars, related primarily to the surface reverse circulation drilling business carried on by Drift. In fiscal 2011, the net currency exposure totaled approximately $0.3 million. 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 in fiscal 2011, in line with fiscal 2010.

The use of cash and non cash working capital items is mainly due to the increase of receivables and inventories. These increases are attributable to increased drilling activities and the decision to replenish consumable products with larger orders to ensure sufficient supplies to meet operational requirements.

INVESTING ACTIVITIES

Cash used in investing activities totalled $23.0 million for fiscal 2011, compared to $12.9 million in fiscal 2010. During fiscal 2011, $18.6 million was used for the acquisition of property, plant and equipment, including new rigs, support equipment, the Company's new facility in Val-d'Or, Québec and cash of $1.2 million on disposition of property, plant and equipment. This compares with $14.0 million for the acquisition of Property, Plant and Equipment and cash of $1.1 million on disposition of a property for the fiscal year ended June 30, 2010.

During fiscal 2011, $6.2 million was used for the business acquisitions of Advantage Control Technologies and Morris Drilling Inc. In fiscal 2010, there were no business acquisitions.

On February 1, 2011 the Company disposed of its investment in 6483976 Canada Inc. (Usinage X-SPEC) for consideration of $0.9 million, plus an amount corresponding to 40% of the increase in retained earnings during the period between February 1, 2010 and January 31, 2011. Net consideration of $0.5 million was received on February 1, 2011 and the balance will be received no later than September 2011.

FINANCING ACTIVITIES

Cash flow generated from financing activities was $14.4 million for fiscal 2011. In fiscal 2010 cash flow from financing activities showed a use of funds of $10.5 million. During fiscal 2011, the Company repaid a bank loan of $7.1 million and entered into an additional long-term loan of $21.5 million to support the acquisitions of Advantage Control Technologies and Morris Drilling Inc. and the acquisition of other capital assets, property, plant and equipment.

As at June 30, 2011, the Company's working capital was $50.7 million compared to $37.5 million as at June 30, 2010. The Company's working capital requirements are primarily to fund inventory acquisition and support accounts receivable.

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

SOURCE OF FINANCING

The Company's primary sources of liquidity are from operations and borrowings under a credit agreement between the Company and National Bank of Canada Inc. (the "Credit Agreement") and also equity financing. On May 27 2011, Orbit Garant obtained a new $40.0 million secured, four-year revolving credit facility with National Bank Financial, replacing the Company's prior $7.0 million one-year revolving credit facility held with the same institution. Orbit Garant and its lenders have the option to increase the funds available under the new credit facility up to a total of $60.0 million, subject to certain conditions. The new credit facility will be used to fund working capital requirements and provide further flexibility to the Company's long-term acquisition program. This facility matures no later than May 27, 2015.

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

As at June 30, 2011, the Company had future contractual obligations as follows:

*($thousands)	Total	Less than 1 year	2-3 years	4-5 years
Bank loan *	—	—	—	—
Long-term debt *	15,117	168	55	14,894
Operating leases *	966	217	393	356
Client deposits *	453	453	—	—
Other long-term obligations *	—	—	—	—
Total *	16,536	838	448	15,250

RELATED PARTY TRANSACTIONS

The Company is related to 2867-3820 Québec Inc. (which is owned by Mr. Pierre Alexandre, Vice-Chairman of the Company). The Company was also related to 6483976 Canada inc. (Usinage X-SPEC) until January 31, 2011 due to the significant influence exercised by the Company.

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

*($thousands)	June 30, 2011	June 30, 2010
Sales*	**47**	**87**
Purchases*	**1,267**	**1,982**
Rent*	**95**	**108**
General and administrative expenses*	**-**	**35**

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.

As at June 30, 2011, accounts payable and accrued liabilities are negligible in relation to these transactions, compared to $0.7 million as at June 30, 2010.

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
- Drilling technology — 60 months
- Non-competition agreement — 36 and 60 months

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 2011.

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 transaction

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 meters 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 of 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

International Financial Reporting Standards (IFRS)

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

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

This conversion plan consists of three phases:

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

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

Phase I – Preliminary analysis	
Work involved	**Progress**
Analyze the differences between the Canadian standards currently applied and the IFRS used to identify the impacts related to the implementation of the new IFRS framework.	The Company has finished, on a qualitative basis, identifying the differences between the accounting policies currently used by the Company and the applicable IFRS. For the Company, the main differences lie in IFRS 2, IFRS 3 and IAS 21.

Analyze the impact associated with the application of IFRS 1, *First-time adoption of International Financial Reporting Standards,* including the identification of the choices and exemptions applicable to the Company when IFRS are retroactively applied as at July 1, 2010.	The Company has completed the documentation, on a qualitative basis, of their main choices to adopt and exemptions from adopting retroactive application of IFRS.
Quantify the qualitative impacts following the analysis of the new accounting framework applicable to the Company's opening balance sheet on July 1, 2010.	The Company has qualified the differences raised and the choices made related to the majors impacts; IFRS 2 – Share-based Payment (see below)
Assess the impact of the change in accounting framework on: 1) The information technologies and reporting systems 2) Internal controls regarding financial reporting; 3) Controls and procedures regarding communication of information with third parties; 4) The required expertise concerning financial reporting; 5) Business operations and the elements on which the Canadian GAAP compliance measures could have a legal or regulatory impact on cash needs and compensation mechanisms.	***Information technologies and data systems*** To date, the Company has not needed to adjust its existing systems because it produce financial information in accordance with IFRS up to September 30, 2011, the first quarter for which the Company will produce interim financial statements based on the new accounting framework. If the Company changes its opinion on this point, this information would be included in the first Management's Discussion and Analysis for the period in which this amendment would be required. ***Restrictive financial clauses and compensation standards*** The Company is currently assessing the impacts of transitioning to IFRS on these different elements and will provide additional information on its financial statements, when these impacts are known. ***Internal controls concerning financial reporting, controls and procedures regarding communication of information*** The Company, while documenting its different accounting positions, is assessing the need to adjust its processes regarding internal controls and communication of the financial information. If it becomes apparent that an amendment is required, these processes will be adjusted to correctly apply IFRS and ensure that the existing present controls are effective. To date, no internal controls have been adjusted.
Phase II – Implementation of a conversion plan ***(since February 2010)***	
Work involved	**Progress**
Develop training materials centered on the IFRS applied to the Company, intended for the personnel responsible for writing the financial statements.	Training sessions on IFRS, targeting the theoretical differences between Canadian GAAP and IFRS, were offered to all personnel responsible for producing the Company's future financial statements in accordance with IFRS, and to certain members of the audit committee. To date, the training sessions have all taken place.
Document the technical positions prepared by the team in charge of producing the financial statements and validated by the Company's management of the different accounting positions	The Company has documented the different applicable technical positions according to IFRS, in compliance to Canadian GAAP. On June 30, 2011, the key elements were ready in order to start preparing:

that the Company will adopt, in IFRS 1, and also in the other IFRS applicable to the Company, aimed at quantifying, at a subsequent date, ("Phase III") the impact related to the application of these standards.	• the opening balance sheet as of July 1, 2010; • the financial information for 2010 in accordance with IFRS (including the notes to financial statements) to submit the comparative quarterly and annual information for the 2010-2011 period.
Phase III – Calculation of the encrypted impact of the conversion	
Work involved	**Progress**
Implementation of the calculations of the encrypted impacts on the conversion from Canadian GAAP to IFRS.	Analysis of IFRS and differences from Canadian GAAP currently used by the Company, versus the IFRS that have been documented and calculated.
Preparation of the comparative quarterly financial statements for the year ending June 2011.	The information necessary to prepared quarterly financial statements was completed.

Initial choices at adoption

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

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

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

After the quantification of the impacts following these choices the Company does not expect the implementation of these choices to have any significant impact on the results presented in its opening balance sheet following the adoption of IFRS.

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

The Company is continuously engaged, in dialogue with the Company's independent auditors regarding the implementation process of IFRS.

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

IFRS	**Impact of the adoption**
IFRS 3 – Business Combinations	**Shares issued in consideration of the cost of purchase** *Canadian GAAP* – The shares issued in consideration of a acquisition are valued based on their quoted market price, a few days before or after the date on which the parties agreed on the price and when the proposed transaction was announced. *IFRS* - The shares in consideration are valued at their quoted market price on the date on which the issued purchase is concluded. **Conditional consideration** *Canadian GAAP* –Conditional consideration is recognized as an integral part of the cost of purchase, but only when it is possible to reasonably estimate and establish, without a reasonable doubt, that the condition will be satisfied. *IFRS* –Conditional consideration is recognized as an integral part of the cost of purchase on the date of the purchase, if it is likely that the condition will be satisfied and that it is possible to reliably value the amount at its fair value. The changes in the initially recorded amount are carried to the result and the future cash payment discounts are amortized by being carried to the interest expense. **Acquisition-related costs** *Canadian GAAP* – The buyer's costs are recorded as an integral part of the purchase cost. *IFRS* – These costs are recorded as expenses. **Valuation of the share of non-controlling shareholders** *Canadian GAAP* – The share of non-controlling shareholders is valued at the original cost, i.e., the carrying value of the acquired company at the time of purchase. *IFRS* – The share of the non-controlling shareholders is valued at its fair value. The Company may elect to measure the fair value according to the purchase price or based on the fair market value. Impact of the transition: none Expected future impact: Impact of costs of purchase, valuation of shares issued in consideration of costs of purchase and conditional consideration.

IFRS 2 – Share-based Payment	**Expense recognition** *Canadian GAAP* –The fair value of share-based grants with a gradual vesting condition is recognized based on the straight-line method over the vesting period. *IFRS* – Each portion of an allotment grant is considered as a separate grant and the compensation cost is amortized on the basis of each of these portions (diminishing). Impact of the transition: Calculation of compensation expense using the diminishing-balance method for options granted in the last four years. These changes will result in an increase in a contributed surplus of $0.4 million and a corresponding decrease to retained earnings at the date of transition. Expected future impact: Application of the diminishing-balance method for all the new granted options.
IAS 16 – Property, Plant and Equipment	**Valuation after initial recognition** *Canadian GAAP* – Property, plant and equipment must be presented at the purchase cost, net of accumulated amortization and of all previous depreciation. *IFRS* – There is a choice regarding subsequent valuation. The entity can present property, plant and equipment at net cost of the accumulated depreciation and of any depreciation or at fair value. **Replacement cost** *Canadian GAAP* – The incurred costs to increase the service potential of property, plant and equipment represents an improvement and are included in the cost of the property, plant and equipment. *IFRS* – Any replacement of the property, plant and equipment of which the expected future benefits exceed the following accounting period, is included in the cost of the property, plant and equipment. The replaced item is subject to derecognition. **Amortization** *Canadian GAAP* – The cost of property, plant and equipment is comprised of significant, separate components, and is allocated between these items when it is reasonably possible to do so and if the life span of each of these components may be subject to an estimate. The amortization expense starts as soon as the asset is ready to be used. *IFRS* - Each part of property, plant and equipment with a significant cost compared to the total cost of a component must be amortized separately. The amortization expense starts as soon as the asset is ready to be used. Impact at transition: The Company will not revalue its property, plant and equipment at fair value because the recorded costs to date, represent the nearest fair value. Recognition by component of property, plant and equipment will be applied. Expected future impact: For the building, the amortization expense will start as soon as the building is ready to be used. If required, interest will be capitalized on the basis of IAS 23.

IAS 38 – Intangible Assets	**Initial observation** *Canadian GAAP* – At cost. The valuation at fair value is prohibited. *IFRS* – Cost valuation method or revaluation at fair value, only if there exists an active market. Impact at transition: none Expected future impact: none
IAS 36 – Impairment of Assets	Impairment of Assets *Canadian GAAP* – The carrying value of a long-term asset is not recoverable if it exceeds the total undiscounted cash flows which will likely result in the use and the eventual exclusion of the asset. When this happens, the cost is brought back to its fair value. *IFRS* – An asset must be recognized at the lesser of its carrying value and its recoverable value. The recoverable value of an asset is the higher value between the fair values, less the sale costs of its value in use. The value in use is the present value of the expected future cash flows of an asset or of a cash-generating unit. A reversal of a write-down of an asset other than goodwill must be immediately recognized in profit. Impact at transition: none Expected future impact: The depreciation test under IFRS might result in loss or plus-value more frequently.
IAS 37 – Provisions, Contingent Liabilities and Contingent Assets	**Valuation** *Canadian GAAP* –There is no separate term for differentiating between contingent liabilities and provisions. A contingent liability is recognized when its realization is probably (greater than 70% in practice). No contingent liability is known if the amount is undetermined. *IFRS* – According to IFRS, liability provision is known when the probability of realization is greater than 50%. In rare cases, it is not possible to estimate the contingent liability. The loss on an "in deficit" contract must be accounted for at the time it is discovered. There are definitions for the terms provision and eventual liability and for the provisions, the accounting criteria are listed. The provisions must be presented separately from the liabilities. Impact at transition: none Expected future impact: Contingent liabilities related to business combinations must be analyzed to determine if they meet the definition of provision.
IAS 21 – The Effects of Changes in Foreign Currency Rates	**Translation** *Canadian GAAP* – Distinction made between two types of foreign operations; integrated foreign operations and self-governing foreign operations. These foreign operations are converted according to two separate methods. The notions of monetary or non-monetary assets and liabilities are used. Translation methods at the current rate, the historical rate and at the average rate in a period are used.

	IFRS –IFRS do not distinguish between the different types of foreign activities. The relationship between the entity and its foreign activity constitutes a factor in determining the functional currency. For consolidation purposes, the financial statements of a foreign activity are translated using the following method: assets and liabilities are translated at the closing rate, income and expenses at the average rate of the period. If the economy is hyperinflationary, adjustments related to the present purchasing power is carried to the financial statements before the translation. Impact at transition: None; the translation difference amounts are brought to zero. Expected future impact: Variable, because the IFRS translation method differs from the method currently used according to Canadian GAAP
IAS 12 – Income Taxes	**Acquisition of an asset other than in a business combination** *Canadian GAAP* – When the tax basis of an asset differs from the accounting basis at the time of acquisition, the cost of the asset is adjusted while taking into consideration the future related tax. *IFRS* – The future tax cannot be recognized when the acquisition of an asset is not acquired as part of a business combination. **Business Combinations** *Canadian GAAP* –The future tax assets with a probable realization at the time of acquisition are an integral part of the acquisition equation. *IFRS* – The future tax assets with a probable realization at the time of acquisition are addressed as a transaction separate from the combination. Impact at transition: The differed taxes in the opening balance sheet will also be adjusted to recognize the changes in the other accounting standards at the time of conversion to IFRS.
IAS 1 – Presentation of Financial Statements	Format differences and additional disclosures in the accompanying notes to the financial statements are required according to IFRS.

The Company is in the final stages of quantifying the major differences between Canadian GAAP and IFRS on the Company and its financial reporting.

The implementation process for the transition to IFRS is proceeding according to plan. The adjustments in the financial statements will include sustainable IFRS compliant financial data and processes for fiscal 2012 and beyond. The Company is confident that the transition will be done in accordance with the relevant requirements and on a timely basis.

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, 2011

Number of shares	33,059,437
Number of options	2,323,000
Fully diluted	35,382,437

In fiscal 2011, the Company issued 290,000 options at an exercise price of $5.65 and 75,000 options at an exercise price of $6.02. Also in fiscal 2011 4,500 options were exercised at an exercise price of $1.00. As of September 21, 2011, 10,500 additional options were exercised at an exercise price of $1.00.

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, 2011. These risks and uncertainties are not the only ones relevant to the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems immaterial, may also impair the operations of the Company. If any such risks actually occur, the business, financial condition, liquidity and results of operations of the Company could be materially adversely affected.

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 May 27, 2015. 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, 2011, 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.

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 Orbit Garant Ontario to manufacture and deliver to the Company, new drills and consumables. Any negative impact on the ability of Soudure Royale and Orbit Garant Ontario 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 Drifts, Forage +, Orbit Garant Ontario 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 Brazil, 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 (6) to twelve (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 $2.1 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 activities at clients' 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. Consequently, the trading price of the Common Shares may fluctuate.

Influence of Existing Shareholders

As of September 21, 2011, Pierre Alexandre, the Vice-Chairman of the Company, holds or controls, directly or indirectly, approximately 28% of Orbit Garant's outstanding Common Shares. As a result, this shareholder has the ability to influence Orbit Garant's strategic direction and policies, including any merger, consolidation or sale of all or substantially all of its assets, and the election and composition of Orbit Garant's Board of Directors. The foregoing ability to affect the control and direction of Orbit Garant could reduce its attractiveness as a target for potential takeover bids and business combinations, and correspondingly affect its share price.

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

Certain shareholders, including Pierre Alexandre, hold or control significant blocks of shares of the Company. The decision of any of these shareholders to sell a substantial number of Common Shares in the public market could result in a material imbalance in demand for the Company's shares and therefore a decline in the market price of the Common Shares. In addition, the perception among the public that such sales may occur could also result in a reduction in the market price of the Common Shares.

Dilution

Orbit Garant may raise additional funds in the future by issuing equity securities. Holders of Common Shares will have no pre-emptive rights in connection with such further issuances. Additional Common Shares may be issued by Orbit Garant in connection with the exercise of options granted. Such additional equity issuances could, depending on the price at which such securities are issued, substantially dilute the interests of the holders of Common Shares.

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, 2011, the amount of the insurance coverage from EDC represents approximately 33% of the accounts receivable (53% in 2010).

As at June 30, 2011, 43% (55% as at June 30, 2010) of the trade accounts receivable are aged as current and 2% (5% as at June 30, 2010) of receivables are impaired.

One major customer represents 13% of the trade accounts receivable as at June 30, 2011 (for the period ended June 30, 2010, one major customer represents 10%).

In fiscal 2011, no major customer represents 10% or more of the contract revenue for the year (for the period ended June 30, 2010, one major customer represented 10% of the contract revenue for the year).

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, 2011, the Company has estimated that a one percentage point increase or decrease in interest rates would have caused a corresponding annual increase or decrease of approximately $0.1 million before income taxes (no significant impact in 2010).

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 rates and has financing conditions similar to those currently available to the Company.

OUTLOOK

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

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

The Company continues to focus on improving its productivity and efficiency by providing additional training to its personnel and by continuously improving its operating processes. The Board of Directors has approved $15.0 million in property, plant and equipment for the 2012 fiscal year.

With its strong balance sheet, leading position in Quebec, and growing presence in Ontario through the Company's new office in Sudbury, Management believes Orbit Garant will continue its growth in fiscal 2012 and beyond. As the mining industry grows, and Canada continues to attract new spending, Orbit Garant intends to build on its organic growth in these target regions through its proven, targeted acquisition program.

SUPPLEMENTAL DISCLOSURE

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

DISCLOSURE CONTROLS AND PROCEDURES

The CEO and the CFO of the Company are responsible for establishing and maintaining disclosure controls and procedures (DC&P) for the Company as defined under Multilateral Instrument 52-109 issued by the Canadian Securities Administrators. The CEO and the CFO have designed such DC&P, or caused them to be designed under its supervision, to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure.

As at June 30, 2011, the CEO and CFO evaluated the design and operation of the Company's DC&P. Based on that evaluation, the CEO and CFO concluded that the Company's DC&P was effective as at June 30, 2011.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for designing internal controls over financial reporting ("ICFR") or causing them to be designed under their supervision. The Company's ICFR are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

As discussed above, the inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected. Therefore, no matter how well designed, ICFR have inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

During fiscal 2011, 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, 2011, 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.