MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR END AND FOURTH QUARTER
FISCAL 2012

September 19, 2012

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, 2012 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, 2011.

The Company's 2012 audited consolidated financial statements and the accompanying notes, will form part of the first annual audited consolidated financial statements to be prepared in accordance with International Financial Reporting Standards ("IFRS") for the fiscal year ending June 30, 2012. The changes are described under "Transition to IFRS" further in the report. 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 19, 2012. 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.

HIGHLIGHTS

- Revenue increased 21.2% to $154.8 million in fiscal 2012, compared to $127.7 million in fiscal 2011
- Record metres drilled at 1.5 million metres, up from 1.4 million metres in fiscal 2011
- Adjusted gross margin (excluding amortization expense) of 27.3%, compared to 27.6% in fiscal 2011
- EBITDA increased to $27.9 million from $26.0 million in fiscal 2011
- Earnings per share of $0.31 ($0.30 per share diluted), compared to $0.35 ($0.34 per share diluted) in fiscal 2011
- Acquisition of New Brunswick-based Lantech Drilling Services Inc.
- Drill fleet expanded to 224 drill rigs, up from 180 drill rigs at the end of fiscal 2011
- Capital expenditures of $18.4 million to support increased business activity

CORPORATE OVERVIEW

From its head office in Val-d'Or, Québec, Orbit Garant with approximately 950 employees, manages a fleet of 224 drilling rigs that provide surface and underground services to the mining and exploration industry in Canada and internationally.

In the second quarter of fiscal 2012, the Company acquired all the issued and outstanding shares of Lantech Drilling Sevices Inc. ("Lantech Drilling"), a company that specializes in exploration and geotechnical services to mining or mineral exploration companies, as well as engineering and environmental consultant firms.

Orbit Garant has an 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.

The Company has two operating segments: Drilling Canada (including domestic surface drilling, underground drilling and manufacturing Canada) and Drilling International. The results of operations of Lantech Drilling are included in both operating segments in fiscal 2012.

For the twelve-month period ended June 30, 2012 ("Fiscal 2012"):

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

- Approximately 75% of the Company's revenues were generated by gold related operations, and approximately 25% were generated by base metal related and other operations.

- The Company's surface and underground drilling services accounted for approximately 65% and 32% respectively, of the Company's revenue. The manufacturing division accounted for the remaining 3% of revenue.

- 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 in the Americas and Liberia and Mauritania in West Africa. Approximately 92% of the Company's revenue was in Canadian dollars, which provides greater stability.

- Approximately 74% of Orbit Garant's customers were major and intermediate-sized mining companies, with which the Company has contracts up to three years in length.

BUSINESS STRATEGY

Orbit Garant's goal is to be a leading Canadian-based mineral drilling company, while pursuing international opportunities, 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 strategies:

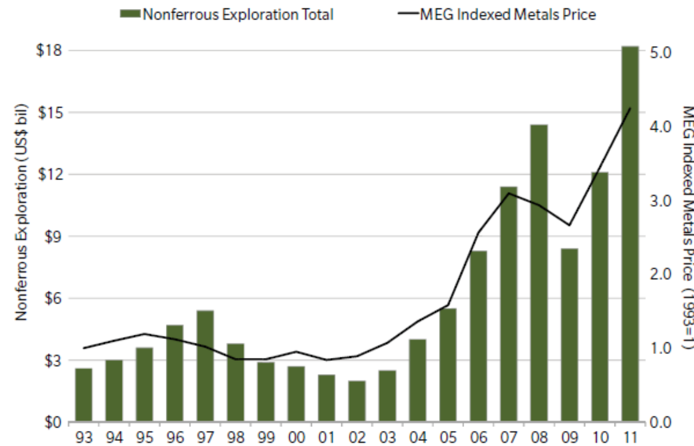
- Focus primarily on major and well financed intermediate mining and exploration companies operating in stable jurisdictions;
- Provide conventional, specialized and geotechnical drilling services;
- Manufacture drills and equipment to fit the needs of customers;
- Maintain a strong commitment to R&D and advanced drilling technologies, such as the Company's current implementation of computerized and control technologies;
- Provide training courses for the Company's personnel to continuously improve labour efficiency and ensure the availability of a skilled labour force;
- Maintain a high level of safety standards in the work environment, and promote protection of the environment;
- Establish and maintain long-term relationships with customers;
- Cross-sell drilling services to existing customers;
- Expand its bases of operations in strategic regions; and
- Evaluate strategic acquisition opportunities to enhance value for the Company's stakeholders.

Industry Overview

Demand for services in the mineral drilling industry is driven by conditions in the global ferrous (iron) and non-ferrous (precious and base metals) metals markets. The strength of demand is primarily determined by price levels for ferrous and non-ferrous metals and the availability of capital to finance exploration and development programs and/or ongoing mining operations. Despite current global economic uncertainties and market volatility, metals prices remain generally favourable. There is also uncertainty surrounding future commodity prices. Gold prices are currently in excess of US$1,700 an ounce, which is positive for Orbit Garant as approximately 75% of its revenue is currently derived from gold related projects. Base metal and iron ore prices have declined from price levels a year ago, but remain well above their collective five-year price lows and above average costs of production. However, 2012 has been a challenging year for junior mining companies to raise capital, which has resulted in reduced exploration spending.

Metals Economics Group (MEG), a leading independent resource for global mining industry information and analysis, estimates that total global expenditures for non-ferrous metals exploration was a record US$18.2 billion in 2011. In its World Exploration Trends 2012 report, published in March 2012, MEG forecasted a 5% to 15% increase in global non-ferrous metals exploration spending in 2012, compared to 2011, with growth driven primarily by senior and intermediate mining companies. At the time of their report, MEG noted the difficulties that junior companies were having in accessing capital to sustain or increase their exploration spending. Junior mining companies continued to experience a challenging environment in raising capital.

Estimated Global Nonferrous Exploration Budgets and Indexed Metals Price*, 1993-2011



Source: Metals Economics Group

* The indexed metals price represents a blend of the relative changes in a basket of metals prices weighted by the percentage of exploration expenditures dedicated to each metal by the industry as reported in MEG's CES studies. This weighting acts as a proxy for the relative importance of each metal within the mining and exploration industry at a given time.

Gold

With the current uncertainty concerning global economic conditions and financial markets, gold has once again emerged as an alternative safe haven for capital. Further, increasing affluence in rapidly developing countries, such as China and India, has created greater demand for luxury goods, including gold jewellery. At the time of this report, the spot price for gold was more than US$1,700 an ounce.

Despite the substantial increase in the price of gold over the last decade, annual global gold production from 2002 to 2010 did not surpass the peak production levels attained in 2001, indicating that mine supply growth has been an industry challenge. With a lack of significant new discoveries and declining production at existing mines, many gold producers are focused on developing new projects or expanding existing deposits in efforts to replace or replenish reserves.

Base metals

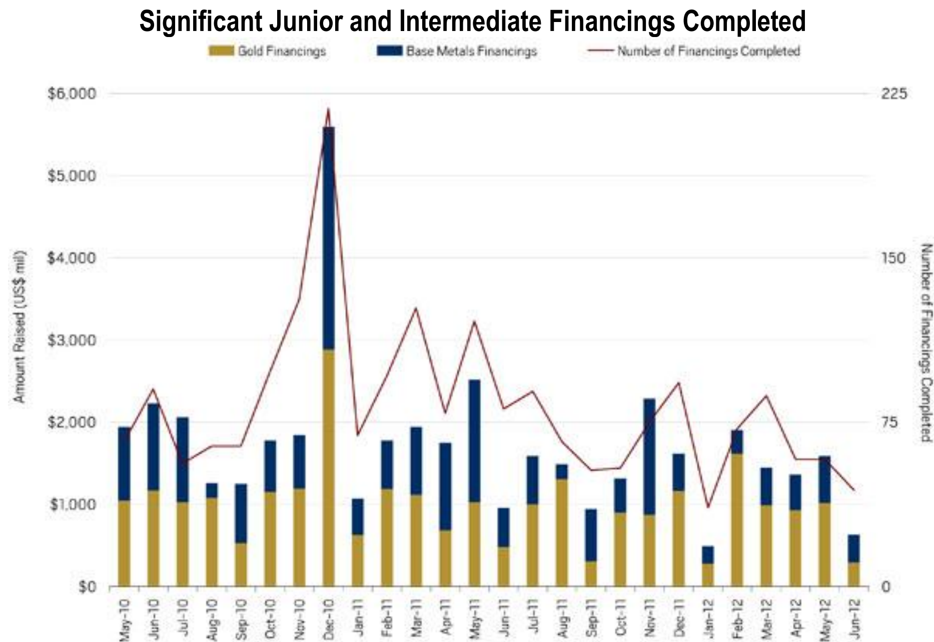
Base metals' price performance generally reflects global economic conditions, as these metals are primarily used in infrastructure, industrial and manufacturing applications. Prices for aluminum, copper, lead, nickel and zinc – the primary industrial metals – have declined from price levels a year ago. Demand from emerging markets, particularly China and India, has a major influence on base metals markets.

Iron ore

Iron ore prices are determined by the global demand for steel, as more than 95% of mined iron ore is used for steel making. At the time of this report, iron ore prices had declined to approximately US$95 per tonne from approximately US$177 per tonne a year ago, primarily as a result of decreased demand in China, the world's largest consumer of iron ore.

Market participants

With higher non-ferrous metals prices since the market downturn in late 2008 and early 2009, the mining industry has remained relatively healthy. Intermediate and junior companies, which were conserving cash during the market downturn in 2009, increased their exploration spending in 2010 and 2011 as non-ferrous metals prices rebounded and access to capital improved. However, continued global economic uncertainty in 2012 has made it more challenging for intermediates and juniors to raise capital, which has resulted in budget restraint and scaled back exploration programs. Rising costs of mineral production are also causing mining companies to review exploration and capital budgets. According to MEG, significant financings (> US$2 million) for gold and base metals projects in the May-June, 2012 period declined more than 21% from the corresponding two-month period in 2011.



Source: Metals Economics Group Industry Monitor; Exploration Activity Services

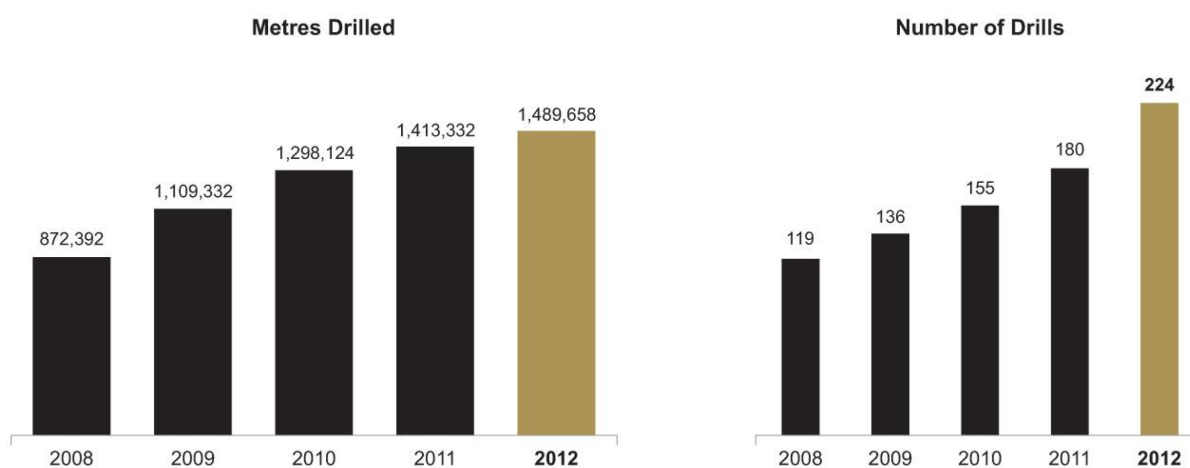
OVERALL PERFORMANCE

Results of operation year ended June 30, 2012

FISCAL YEAR ENDED JUNE 30 * ($millions)	Fiscal 2012	Fiscal 2011	2012 vs. 2011 Variation	Variation (%)
Revenue *	**154.8**	127.7	**27.1**	**21.2**
Gross profit *	**33.7**	28.5	**5.2**	**18.2**
Gross margin (%)	**21.8**	22.3		**(0.5)**
Adjusted gross margin (%) [1]	**27.3**	27.6		**(0.3)**
EBITDA * [2]	**27.9**	26.0	**1.9**	**7.4**
Metres drilled	**1,489,658**	1,413,332	**76,326**	**5.4**
Net earnings *	**10.4**	11.4	**(1.0)**	**(9.5)**
Net earnings per common shares - Basic ($)	**0.31**	0.35		
- Diluted ($)	**0.30**	0.34		

[1] Reflects gross margin, excluding amortization expenses. (See "Reconciliation of non-IFRS financial measures")
[2] EBITDA = Earnings before interest, taxes, depreciation and amortization. (See "Reconciliation of non-IFRS financial measures")

During fiscal 2012, Orbit Garant drilled a record 1.49 million metres, a 5.4% increase from 1.41 million metres drilled in fiscal 2011. The Company continued to expand its fleet with the addition of: 18 new drill rigs from its manufacturing division, 32 drill rigs from the acquisition of Lantech Drilling and two drill rigs from a third party. The Company also disposed of eight drill rigs, bringing its total drill rig count to 224 at the end of fiscal 2012.



SELECTED ANNUAL FINANCIAL INFORMATION

For the year ended June 30 *($millions)	IFRS Fiscal 2012	IFRS[1] Fiscal 2011	Canadian GAAP[1] Fiscal 2010
Contract revenue			
Drilling Canada*	**133.0**	108.7	99.8
Drilling International*	**21.8**	19.0	10.2
Total*	**154.8**	127.7	110.0
Gross profit*	**33.7**	28.5	33.6
Gross margin (%)	**21.8**	22.3	
Adjusted gross margin (%)[2]	**27.3**	27.6	30.6
Net earnings*	**10.4**	11.4	12.6
Net earnings per common share ($)	**0.31**	0.35	0.38
Net earnings per common share diluted ($)	**0.30**	0.34	0.38
Total assets*	**170.2**	142.6	108.5
Long term debt*	**26.0**	14.7	0.2
Total metres drilled (million)	**1.5**	1.4	1.3
EBITDA*[3]	**27.9**	26.0	27.9
EBITDA %	**18.0**	20.3	25.4

[1] Figures for fiscal 2011 have been restated to comply with IFRS. Fiscal 2010 remains unchanged as previously reported under Canadian GAAP.
[2] Reflects gross margin, excluding amortization expenses. See "Reconciliation of non-IFRS financial measures"
[3] EBITDA See "Reconciliation of non-IFRS financial measures"

RESULTS OF OPERATIONS

FISCAL 2012 COMPARED TO FISCAL 2011

Contract revenue

For the fiscal year ended June 30, 2012, the Company recorded contract revenue of $154.8 million compared to $127.7 million in fiscal 2011, representing an increase of $27.1 million, or 21.2%. The increase is attributable to new drilling contracts, higher revenue per meter drilled and the acquisition of Lantech Drilling in the second quarter of fiscal 2012.

The Company increased its total metres drilled by 5.4% to 1.49 million metres in fiscal 2012, primarily due to the acquisition of Lantech Drilling.

Domestic drilling contract revenue increased to $133.0 million in fiscal 2012, compared to $108.7 million in fiscal 2011, representing an increase of $24.3 million, or 22.3%. The increase reflects additional metres drilled from new and existing contracts and the contribution from Lantech Drilling's operations in Canada.

International drilling contract revenue increased 14.8% to $21.8 million in fiscal 2012, compared to $19.0 million in fiscal 2011. The increase of $2.8 million is attributable to higher revenue per meter drilled and the contribution from Lantech Drilling's operations in West Africa.

Gross profit and margins (see Reconciliation of non-IFRS measures)

Gross profit for fiscal 2012 increased 18.2% to $33.7 million, compared to $28.5 million in fiscal 2011. Increased gross profit was primarily attributable to price increases and higher overall business volumes, including increased higher margin international drilling activity in the first half of fiscal 2012. Gross margin for fiscal 2012 decreased to 21.8% from 22.3% in fiscal 2011. In accordance with IFRS, amortization expenses totalling $8.5 million are included in cost of contract revenue for fiscal 2012, compared to $6.8 million for fiscal 2011. Adjusted gross margin, excluding amortization expenses, decreased slightly to 27.3% in fiscal 2012, compared to 27.6% in fiscal 2011. The decline in gross margins for fiscal 2012 primarily resulted from: unseasonably warm weather in Quebec and Ontario in March, 2012, which resulted in an early spring break-up and the premature suspension of drilling activities on certain project sites; lower overall productivity rates due to the introduction of new drillers and decreased business activity in the second half of the year from the Company's junior mining company customers.

General and administrative expenses

General and administrative (G&A) expenses were $17.1 million for fiscal 2012, compared to $11.6 million in fiscal 2011. G&A expenses represented 11.1% of sales during fiscal 2012, compared to 9.1% in fiscal 2011. In accordance with IFRS, amortization expenses of $2.9 million are included in G&A expenses for fiscal 2012, compared to $1,9 million for fiscal 2011. Adjusted G&A expenses, excluding amortization expenses and $0.4 million in acquisition costs related to the acquision of Lantech Drilling, totalled $13.8 million (8.9% of revenue) for fiscal 2012, compared to $9.7 million (7.6% of revenue) for fiscal 2011.Higher G&A expenses resulted primarily from increased personnel, the Company's acquisition of Advantage Control Technologies and Morris Drilling Inc. in the second quarter of fiscal 2011, the acquisition of Lantech Drilling in the second quarter of fiscal 2012 and the amortization expenses related to the Company's new head office in Val-d'Or, Quebec

EBITDA (see Reconciliation of non-IFRS measures)

EBITDA was $27.9 million for fiscal 2012, compared to $26.0 million in fiscal 2011, an increase of $1.9 million, or 7.4%. EBITDA represented 18.0% of sales in fiscal 2012, compared to 20.3% of sales in fiscal 2011.

Financial expenses

Interest costs related to long-term debt and bank charges for fiscal 2012 were $1.3 million, compared to $0.6 million in fiscal 2011. Increased interest costs resulted from business acquisitions and working capital increases.

Income taxes

Income taxes were $4.7 million in fiscal 2012, compared to $5.3 million in fiscal 2011.

Net earnings

Net earnings in fiscal 2012 totalled $10.4 million, or $0.31 per common share ($0. 30 per share diluted), compared to $11.4 million, or $0.35 per common share ($0.34 per share diluted) in fiscal 2011. This decrease is primarily attributable to increased G&A expenses and finance costs.

SUMMARY ANALYSIS OF FISCAL 2011 COMPARED TO FISCAL 2010

(Figures for fiscal 2011 have been restated to comply with IFRS. Fiscal 2010 remains unchanged as previously reported under Canadian GAAP.)

Revenue for the fiscal year ended June 30, 2011 was $127.7 million compared to $110.0 million for fiscal 2010, representing an increase of $17.7 million or 16.2%.

Adjusted gross margins for fiscal 2011 were 27.6%, compared to 30.6% for fiscal 2010. Total gross profit during fiscal 2011 was $28.5 million, compared to $33.6 million for fiscal 2010, representing a decrease of 15.3%. The decline was a result of a more competitive pricing environment due to prevailing market conditions at that time.

Net earnings for fiscal 2011 totaled $11.4 million, or $0.35 per share ($0.34 per share diluted), compared to $12.6 million, or $0.38 per share (basic and diluted) in fiscal 2010.

OVERALL PERFORMANCE

SUMMARY OF QUARTERLY RESULTS (1)

* ($millions)		Fiscal 2012				Fiscal 2011 (1)			
		June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30
Contract revenue *		**43.6**	41.7	32.4	37.1	41.0	33.4	25.9	27.4
Gross profit *		**7.7**	10.0	7.1	8.9	10.1	6.8	5.9	5.7
Gross margin %		**17.7**	23.9	21.7	24.0	24.7	20.4	22.9	20.5
Adjusted Gross margin % (2)		**22.6**	29.4	28.3	29.5	29.2	25.7	29.1	26.1
Net earnings *		**1.3**	3.5	1.9	3.7	4.6	2.3	2.3	2.2
EBITDA (3) *		**5.5**	8.3	5.8	8.3	9.3	6.0	5.4	5.3
Net earnings per common share ($)	- Basic	**0.04**	0.10	0.06	0.11	0.14	0.07	0.07	0.07
	-Diluted	**0.04**	0.10	0.05	0.11	0.13	0.07	0.07	0.07

(1) Figures for fiscal 2011 have been restated to comply with IFRS.

(2) Reflects gross margin, excluding amortization expenses. See “Reconciliation of non-IFRS financial measures”

(3) EBITDA See “Reconciliation of non-IFRS financial measures”

SEASONALITY

The Company’s revenue shows some seasonal trends. In the underground drilling division, scheduled mine shut-downs over holiday and summer periods at some locations reduce 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 2012 COMPARED TO FISCAL 2011

Contract revenue

Revenue for the fourth quarter of the fiscal year ended June 30, 2012 (“Q4 FY2012”) totaled $43.6 million, an increase of $2.6 million or 5.9% compared to the quarter ended June 30, 2011 (“Q4 FY2011”). The number of metres drilled decreased to 402,126 in Q4 FY2012 from 426,525 in Q4 FY2011. The Company’s average revenue per meter drilled in Q4 FY2012 was $105.83 compared to $94.12 in Q4 FY2011.

Domestic drilling revenue was $38.9 million in Q4 FY2012, compared to $33.8 million in Q4 FY2011, representing an increase of 14.7%, reflecting higher revenue per metre drilled and the contribution from Lantech Drilling Most of the increase was attributable to the Company's new Lantech Drilling operations.

International drilling revenue was $4.7 million in Q4 FY2012 compared to $7.3 million in Q4 FY2011, a decrease of 35.1%, due to lower demand for drilling services.

Gross profit and margins (see Reconciliation of non-IFRS measures)

Gross profit for Q4 FY2012 decreased 23.9% to $7.7 million from $10.1 million in Q4 FY2011. Gross margin for Q4 FY2012 decreased to 17.7% from 24.7% in the fourth quarter a year ago. In accordance with IFRS, amortization expenses totalling $2.1 million are included in cost of contract revenue for Q4 FY2012, compared to $1.9 million for Q4 FY2011. Adjusted gross margin, excluding amortization expenses, decreased to 22.6% in Q4 FY2012, from 29.2% in Q4 FY2011. Decreased gross profit and gross margin in Q4 FY2012 reflect a decline in higher margin international business activity from the Company's junior mining company customers.

General and administrative expenses

General and administrative (G&A) expenses increased to $5.1 million (11.7% of revenue) in Q4 FY2012, from $3.4 million (8.3% of revenue) in Q4 FY2011. In accordance with IFRS, amortization expenses of $0.9 million are included in G&A expenses for fiscal 2012, compared to $0,6 million for fiscal 2011. Adjusted G&A expenses, excluding amortization expenses, totalled $4.2 million (9.7% of revenue) for fiscal 2012, compared to $2.8 million (6.8% of revenue) for fiscal 2011Higher G&A expenses in Q4 FY2012 resulted primarily from increased personnel, the Company's new branch office in Sudbury, Ontario, the acquisition of Lantech Drilling and the amortization expenses related to the Company's new head office in Val-d'Or, Quebec.

EBITDA (see Reconciliation of non-IFRS measures)

EBITDA totalled $5.5 million (12.9% of revenue) in the fourth quarter of fiscal 2012, compared to $9.3 million (22.7% of revenue) in the same period a year ago, a decrease of $3.8 million, or 39.6%. The decline is primarily attributable to decreased international drilling activity in the quarter.

Financial expenses

Interest costs related to long-term debt and bank charges were $0.4 million in Q4 FY2012, comparable to $0.2 million in Q4 FY2011.

Income taxes

Income taxes were $0.8 million for Q4 FY2012 compared to $2.0 million for the same period last year.

Net earnings

Net earnings for Q4 FY2012 were $1.3 million, or $0.04 per share (basic and diluted), compared to $4.6 million, or $0.14 per share ($0.13 per diluted share) for Q4 FY2011. The decline in net earnings resulted from decreased international drilling activity and higher G&A expenses.

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 $13.0 million earned in U.S. dollars, related primarily to

the international drilling business. As at June 30, 2012, the Company has cash in US dollars for an amount of $0.9 million (June 30, 2011, $0.3 million) and accounts receivable in US dollars for an amount of $2.2 million (June 30, 2011, $0.4 million).

As at June 30, 2012, the Company has estimated that a 10% increase or decrease of the US exchange rate would have caused a corresponding annual increase or decrease in net earnings and comprehensive earnings of approximately $0.2 million (June 30, 2011, negligeable).

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

Cash flow from operations before non-cash operating working capital items was $28.7 million in fiscal 2012, compared to $26.3 million in fiscal 2011.

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 $22.1 million for fiscal 2012, compared to $22.7 million in fiscal 2011. During fiscal 2012, $18.4 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 $1.7 million on disposition of property, plant and equipment. This compares with $18.6 million for the acquisition of Property, Plant and Equipment and cash of $1.2 million on disposition of a property for the fiscal year ended June 30, 2011.

During fiscal 2012, $5.4 million was used for the business acquisition of Lantech Drilling. In fiscal 2011, $5.8 million were used for business acquisitions and $0.5 million of net consideration on disposal of an investment.

Financing activities

Cash flow generated from financing activities was $8.6 million for fiscal 2012. In fiscal 2011 cash flow from financing activities generated $14.4 million. During fiscal 2012, the Company frequently drew upon its $40 million revolving Credit Facility and partially repaid borrowed amounts. During the year, these activities resulted in additional borrowing of $8.5 million. As at June 30, 2012, the Company's long-term debt, including the current portion, was $26.4 million. The debt was used to support the acquisition of Lantech Drilling and the acquisition of other capital assets, including property, plant and equipment.

As at June 30, 2012, the Company's working capital was $60.3 million, compared to $50.0 million as at June 30, 2011. The Company's working capital requirements are primarily to fund inventory acquisition and support account receivables.

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 drill 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 $40.0 million secured, four-year revolving credit facility (the "Credit Facility"). Orbit Garant and its lenders have the option to increase the funds available under the Credit Facility up to a total of $60.0 million, subject to certain conditions. The Credit Facility will be used to fund working capital requirements and provide further flexibility to the Company's long-term acquisition program. The Credit Facility matures no later than May 27, 2015. As of June 30, 2012 the Company had drawn $25.6 million.

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, 2012, 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 *	26,582	401	316	25,865
Operating leases *	1,554	468	690	396
Contingent consideration*	4,800	1,600	3,200	-
Other long-term obligations *	-	-	-	-
Total *	32,936	2,469	4,206	26,261

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 significant influence exercised by the Company.

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

*($thousands)	June 30, 2012	June 30, 2011
Sales*	**-**	**47**
Purchases*	**-**	**1,267**
Rent*	**20**	**95**

All these related party transactions are measured at fair value.

SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements reflect the first-time adoption of International Financial Reporting Standards ("IFRS"), which replaced Canadian Generally Accepted Accounting Principles ("GAAP") as of January 1, 2011. All disclosures and explanations related to the first-time adoption of IFRS are presented in note 22, which provides information that is considered material to the understanding of the Company's first IFRS financial statements. It also presents a reconciliation of the 2011 financial figures prepared under Canadian GAAP to the 2011 financial figures prepared under IFRS, including a reconciliation of the consolidated statements of earnings, comprehensive earnings

and cash flows for the year ended June 30, 2011, as well as a reconciliation of the consolidated balance sheets and equity as of July 1, 2010 and as of June 30, 2011.

The IFRS consolidated financial statements have been prepared based on the following accounting policies:

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and IFRS 1, First-time Adoption of IFRS. These consolidated financial statements should be read in conjunction with IFRS transition disclosures included in note 22.

The consolidated financial statements were approved for issue by the Board of Directors of Orbit Garant Drilling Inc. on September 19, 2012.
The consolidated financial statements have been prepared on a historical cost basis, except for the contingent liability, which have been measured at fair value and are presented in Canadian dollars, which is the currency of the primary economic environment in which the Company and its subsidiaries operate ("functional currency").

Foreign currency translation

Financial statements of foreign operations are translated using the rate in effect at the balance sheet date for assets and liabilities, and using the average exchange rates during the period for revenues and expenses. Adjustments arising from foreign currency translation are recorded in other comprehensive earnings.

Foreign currency transactions are transactions in a currency other than the Company's functional currency. Foreign currency transactions are translated to the functional currency by applying the exchange rate prevailing at the date of the transactions. Translation gains and losses on assets and liabilities denominated in a foreign currency are included in the statement of comprehensive earnings.

Financial instruments

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

Goodwill

Goodwill initially arising from a business acquisition is measured and recognized as the excess of the fair value of the consideration paid over the fair value of the recognized identifiable assets acquired and liabilities assumed. When the Company acquires less than 100% of the equity interests in the business acquired at the acquisition date, goodwill attributable to the non-controlling interest is also recognized at fair value.

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 months
Drilling technology	60 months
Non-compete agreement	36 months

Amortization methods, residual values and the useful lives of significant intangible assets are reviewed at each financial year-end. Any change is accounted for prospectively as a change in accounting estimate.

Impairment of long-lived assets

For the purposes of assessing impairment, assets are grouped in cash-generating units ("CGU"), which represent the lowest levels for which there are separately identifiable cash inflows generated by those assets. The Company reviews, at each balance sheet date, whether events or circumstances have occurred to indicate that the carrying amounts of its long-lived assets with finite useful lives may be less than their recoverable amounts.

Goodwill, other intangible assets having an indefinite useful life, and intangible assets not yet available for use are tested for impairment on June 30 of each financial year, as well as, whenever there is an indication that the carrying amount of the asset, or the CGU to which an asset has been allocated, exceeds its recoverable amount. The recoverable amount is the higher of the fair value, less costs to sell and the value in use of the asset or the CGU. Fair value, less costs to sell, represents the amount an entity could obtain at the valuation date from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use represents the present value of the future cash flows expected to be derived from the asset or the CGU.

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and attributed to assets in the CGU, prorated to the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets having an indefinite useful life, other than goodwill, can be reversed through the statement of earnings up to the excess of the recoverable amount of the asset or the CGU over its carrying value.

Income taxes

Current income taxes are recognized with respect to amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in earnings in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to an amount that is more likely than not to be realized. A deferred tax expense or benefit is recognized in other comprehensive earnings or otherwise directly in equity to the extent that it relates to items that are recognized in other comprehensive earnings or directly in equity in the same or a different period.

In the course of the Company's operations, there are a number of uncertain tax positions due to the complexity of certain transactions and due to the fact that related tax interpretations and legislation are continually changing. When a tax position is uncertain, the Company recognizes an income tax benefit or reduces an income tax liability only when it is probable that the tax benefit will be realized in the future or that the income tax liability is no longer probable.

Revenue recognition

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

rendered, merchandise has been shipped, the price to the buyer is fixed or determinable and collection is reasonably assured.

Earnings per share

Earnings per share are calculated using the weighted daily average number of shares outstanding during the year. Diluted earnings per share are determined as net earnings, divided by the weighted average number of diluted common shares for the period. 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 using the Black-Scholes option pricing model and is amortized to earnings over the vesting period. The fair value is recognized as an expense with a corresponding increase in equity settled reserve. The amount recognized as an expense is adjusted to reflect the number of stock options expected to vest. When unexercised stock options are forfeited or expired, the amounts are transferred to retained earnings.

TRANSITION TO IFRS

The consolidated financial statements are prepared in accordance with IFRS, as described under accounting policies (note 3). The date of the opening balance sheet under IFRS and the Company's date of transition to IFRS is July 1, 2010. The IFRS 1 requires the presentation of Comparative Financial Information and imposes to the First-time adopters to apply retrospectively, all the IFRS standards in effect for the Company, for the year ended June 30, 2012. However, it provides certain optional exemptions and certain mandatory exceptions for the First-time IFRS adopters.

Prior to the adoption of IFRS, for all periods up to and including the year ended June 30, 2010, the Company's consolidated financial statements were prepared in accordance with Canadian GAAP. The Company applied IFRS 1 *First-time Adoption of IFRS* to prepare its first consolidated financial statements. The transition incidence to IFRS on equity, net earnings, comprehensive earnings and cash flows is presented and described in this note and is explained in more detail in the notes relative to the chart.

Initial choices on adoption

The Company has applied IFRS 1 in preparing these consolidated financial statements. The Company is required to establish IFRS accounting policies as of the transition date and, in general, to apply these retrospectively to determine the IFRS opening balance sheet at July 1, 2010. This Standard provides a number of mandatory exceptions and optional exemptions to this general principle of retrospective application when the translation of Canadian GAAP to IFRS for the Company. Descriptions of applicable exemptions and exceptions are set out below, together with the Company's elections:

Mandatory exceptions to IFRS adopted by the Company

Estimates - In accordance with IFRS 1, an entity's estimates under IFRS as of the transition date to IFRS must be consistent with estimates made for the same date under previous Canadian GAAP, unless there is objective evidence that those estimates were in error. The estimates previously made by the Company under Canadian GAAP were not revised on the application of IFRS.

Optional choices applied by the Company

Business Combinations - IFRS 1 provides the option to apply IFRS 3R (revised), *Business Combinations,* retrospectively or prospectively from the transition date. A retrospective basis would require restatement of all

business combinations that occurred prior to the transition date. The Company has elected not to apply IFRS 3R retrospectively to business combinations that occurred before the date of transition. These business combinations were not restated. Accordingly, IAS 27, Consolidated and Separate Financial Statements, is also applied prospectively. Any goodwill arising on acquisition differences has not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying this exemption.

Reconciliation of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior years. The Company's first time adoption of IFRS did not have an impact on the total operating, investing or financing cash flows. The following represents the reconciliations from Canadian GAAP to IFRS for the respective years noted: the equity, earnings and comprehensive earnings.

Reconciliation of Equity
($ in thousands of dollars)

As at:	Explanation	**June 30, 2011**	**July 1, 2010**
		$	**$**
Equity under Canadian GAAP		103,787	89,592
Differences with Canadian GAAP decreasing reported equity:			
Business acquisition expenses	**(c)**	(328)	
Contingent consideration	**(b)**	(116)	
Total equity under IFRS		**103,343**	**89,592**

Reconciliation of Earnings and Comprehensive Earnings
($ in thousands of dollars)

For the year ended :	Explanation	**June 30, 2011**
		$
Net earnings and comprehensive earnings under Canadian GAAP		12,128
Differences in GAAP decreasing reported earnings:		
Business acquisition expenses	**(c)**	(328)
Change in fair value of contingent consideration	**(b)**	(116)
Share-based compensation	**(a)**	(238)
Net earnings and comprehensive earnings under IFRS		**11,446**

(a) Stock-based compensation

Canadian GAAP - For grants of share-based awards with graded vesting, the total fair value of the award is recognized on a straight-line basis over the employment period necessary to vest the award.

IFRS - Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis. As a result, the Company adjusted its expense for share-based awards to reflect this difference in recognition for all stock options granted.

(b) Business combinations - Contingent consideration

Canadian GAAP - Contingent consideration was recognized as part of the purchase price when they were paid.

IFRS - Contingent consideration is recognized at fair value at the date of the acquisition date. The Company has booked a contingent consideration related to the acquisition of 1085820 Ontario Limited (Advantage Control Technologies).

(c) Business combination - Acquisition costs

Canadian GAAP - The acquisition costs were accounted for as part of the purchase price.

IFRS - The acquisition costs are accounted for as expense in the statement of earnings. The Company accounted for in the statement of earnings the acquisition costs related to the acquisitions of 1085820 Ontario Limited (Advantage Control Technologies) and Morris Drilling Inc.

Changes in accounting policies

In addition to the exemptions and exceptions discussed above, the following narratives explain the significant differences between the previous Canadian GAAP accounting policies and the current IFRS policies applied by the Company.

Share-based compensation

Under IFRS, when a share-based payment vests in instalments over a vesting period ("graded vesting"), each instalment is accounted for as a separate arrangement as compared to Canadian GAAP, which gave the choice of treating the instruments as a pool, with the measurement being determined using the average life of the awards granted.

Reconciliation of Canadian GAAP to IFRS

IFRS uses a conceptual framework which is similar to the Canadian GAAP. But there are important differences that exist in certain standards evaluation and disclosure. Though the adoption of IFRS did not change the Company's cash flow, it did bring changes to the Company's balance sheets and the activity results. In order to allow the financial statement users to better understand these changes, to the Company's consolidated balance sheet, consolidated statement of earnings and comprehensive earnings prepared according to Canadian GAAP were restated according to the IFRS Standards at different dates and the differences in the statements are explained, as required by IFRS 1.

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated by the Company and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates, assumptions and judgments concerning the future. Actual results could differ from these estimates. The estimates, assumptions and judgments that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are addressed below.

Inventories

Inventory is measured at the lower of cost and net realizable value. In estimating net realizable values, management takes into account the most reliable evidence available at the time the estimates are made. Net realizable value is the estimated selling price less the estimated cost necessary to make the sale. Used and revised inventories are valued

at 50% and 75% of cost respectively. The amount of the depreciation of inventories can be reversed when the circumstances that led to the impairment charge in the past no longer exists.

Useful lives of depreciable assets

Amortization methods, residual values and useful lives of property, plant and equipment are reviewed at each reporting date by the management. Any changes is accounted for prospectively as a change in accounting estimate. As at June 30, 2012, management assesses that the useful lives represent the expected utility of the assets to the Company.

Business combinations

On initial recognition, the assets and liabilities of the acquired business are included in the consolidated balance sheet of the Company at their fair values. In measuring fair value, management uses estimates about future cash flows and discount rates, however, the actual results may vary. Any measurement changes upon initial recognition would affect the measurement of Goodwill.

Estimated impairment of Goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in summary of significant accounting policies. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Current income taxes

The Company is subject to income taxes in various jurisdictions. Judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due in the future. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It established provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income taxes

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Company operates are also carefully taken into consideration. If a forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by Management based on the specific facts and circumstances.

Provisions

Provisions are recognized when (i) the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and when (ii) the amount of the obligation can be reliably estimated.

Provisions are reviewed at each balance sheet date and changes in estimates are reflected in the consolidated statement of earnings in the reporting period in which changes occur.

Contingent considerations

The fair value recognized for contingent considerations has been estimated by Management based on the subsidiaries results and budget. However, the actual contingent considerations may vary due to unexpected changes in the subsidiaries activities.

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 using the Black-Scholes option pricing model which is based on significant assumptions such as volatility, dividend yield and expected term.

Functional currency

The Company applied judgment in determining the functional currency of the Company and its subsidiaries. Functional currency was determined based on the currency that mainly influences sales prices, labour, materials and other costs of providing services.

RECENT ACCOUNTING PRONOUNCEMENTS

The Company has not early adopted the following new standards and adoption impacts on the consolidated financial statements have not yet been determined:

IFRS 9 – Financial instruments
IFRS 9 simplifies the measurement and classification for financial assets by reducing the number of measurement categories and removing complex rule-driven embedded derivative guidance in IAS 39, Financial Instruments: Recognition and Measurement. The new standard also provides for a fair value option in the designation of a non-derivative financial instruments and its related classification and measurement. IFRS 9 is effective from periods beginning January 1, 2015 with early adoption permitted.

IFRS 10 – Consolidated Financial Statements
IFRS 10 replaces SIC-12 Consolidation – Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements and provides additional guidance regarding the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. IFRS 10 is effective from periods beginning January 1, 2013 with early adoption permitted.

IFRS 11 – Joint Arrangements
IFRS 11 replaces IAS 31, Interests in Joint Ventures, with guidance that focuses on the rights and obligations of the arrangement, rather than its legal form. It also withdraws the option to proportionately consolidate an entity's interests in joint ventures. The new standard requires that such interests be recognized using the equity method. IFRS 11 is effective from periods beginning January 1, 2013 with early adoption permitted.

IFRS 12 – Disclosure of Interests in Other Entities
IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose entities and other off balance sheet vehicles. IFRS 12 is effective from periods beginning January 1, 2013 with early adoption permitted.

IFRS 13 – Fair value measurements
IFRS 13 defines fair value, requires the disclosure of estimates at fair value and provides guidance on measuring fair value when required or permitted to do so according to the IFRS standards. IFRS 13 is effective from periods beginning January 1, 2013 with early adoption permitted.

RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

Financial data has been prepared in conformity with IFRS. However, certain measures used in this discussion and analysis do not have any standardized meaning under IFRS and could be calculated differently by other companies. The Company believes that certain non-IFRS financial measures, when presented in conjunction with comparable IFRS financial measures, are useful to investors and other readers because the information is an appropriate measure for evaluating the Company's operating performance. Internally, the Company uses this non-IFRS financial information as an indicator of business performance. These measures are provided for information purposes, in addition to, and not as a substitute for, measures of financial performance prepared in accordance with IFRS.

Non-IFRS financial measures

EBITDA	Profit for the period before finance income and costs, income tax expenses and amortization.
Adjusted gross margin	Contract revenue less operating cost. Operating expenses comprise material and service expenses, personnel expenses, other operating expenses, excluding amortization.

EBITDA

Reconciliation of EBITDA

(unaudited) in millions of dollars	Three months ended June 30, 2012	Three months ended June 30, 2011	Twelve months ended June 30, 2012	Twelve months ended June 30, 2011
Net earnings for the period	1.3	4.6	10.4	11.4
Finance costs	0.4	0.2	1.3	0.6
Income tax expense	0.9	2.0	4.7	5.3
Amortization	2.9	2.5	11.5	8.7
EBITDA	**5.5**	**9.3**	**27.9**	**26.0**

Adjusted gross margin

Although adjusted gross margin is not a recognized financial measure defined by IFRS, it is a widely recognized measure used in the mineral drilling industry. As a result, management believes it provides a useful and comparable benchmark for evaluating the Company's performance.

(unaudited) (in millions of dollars)	Three months ended June 30, 2012	Three months ended June 30, 2011	Twelve months ended June 30, 2012	Twelve months ended June 30, 2011
Contract revenue	**43.6**	**41.0**	**154.8**	**127.7**
Cost of contract revenue (including amortization)	35.9	30.9	121.1	99.2
Less amortization	(2.1)	(1.9)	(8.5)	(6.8)
Direct costs	33.8	29.0	112.6	92.4
Adjusted gross profit	**9.8**	**12.0**	**42.2**	**35.3**
Adjusted gross margin (%) [1]	**22.6**	**29.2**	**27.3**	**27.6**

[1] Adjusted gross profit, divided by Contract revenue X 100

OUTSTANDING SECURITIES AS OF SEPTEMBER 19, 2012

Number of shares	**33,276,519**
Number of options	**2,623,000**
Fully diluted	**35,899,519**

In fiscal 2012, the Company issued 300,000 options at an exercise price of $5.60 and 10,500 options were exercised at an exercise price of $1.00 per share. On December 16, 2011, 217,082 shares were issued for the acquisition of Lantech Drilling.

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 19, 2012. 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, on whom 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 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 ***("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, 2012, 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.

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, Lantech Drillling 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 $13.0 million of U.S. dollar revenue exposure related to international activities. 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 Company's operations 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 19, 2012, 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, 2012, the amount of the insurance coverage from EDC represents approximately 24% of the accounts receivable (33% in 2011).

As at June 30, 2012, 43% (43% as at June 30, 2011) of the trade accounts receivable are aged as current and 1% (2% as at June 30, 2011) of receivables are impaired.

Two major customer represents 34% of the trade accounts receivable as at June 30, 2012 (June 30, 2011, one major customer represents 13% and one customer represented 10%).

In fiscal 2012, one major customer represents 15% of the contract revenue for the year June 30, 2012 (year ended June 30, 2011 no major customer represented 10%).

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, 2012, 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 $0.2 million before income taxes ($0.1 million impact in 2011).

Fair Value

The fair value of cash, accounts receivable, bank overdraft, accounts payable and accrued liabilities, 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. The fair value on the contingent consideration has been evaluated as of a discounted rate value.

OUTLOOK

Management believes the long-term outlook for the mining industry remains positive. While short term economic conditions may impact market conditions from time-to-time, growing global demand for ferrous and nonferrous metals and depleting supplies, will ultimately result in mineral resource companies being able to access capital to continue exploration drilling activities and replenish reserves. Increased demand for minerals from developing countries, such as Brazil, Russia, India and China, is providing the largest impetus for long-term growth. China now has a significant impact on global demand and pricing of ferrous and nonferrous metals. The lack of new mineral discoveries, shortage of labour and other supply issues affecting traditional markets are all contributing to constraints in supply.

With gold prices currently more than US$1,700 per ounce, and base metals and iron ore prices well above the price lows experienced in late 2008 and early 2009, mining companies are able to exploit a greater number of mineral deposits. Senior and intermediate mining companies generally have healthy balance sheets and access to capital, which will allow the necessary investments to continue exploration and production programs. Approximately 74% of Orbit Garant's revenues are currently derived from senior and intermediate mining companies. Continued global economic uncertainty has made it difficult for junior exploration companies to access capital in 2012, which may continue to have a negative impact to Orbit Garant's utilization rates and gross margins in the near term. Orbit Garant currently has 70% of its drilling capacity booked for fiscal 2013.

Management will continue to focus on building value for stakeholders by training new drillers, improving productivity and enhancing services for customers. Orbit Garant's driller training program will continue to be an important part of the Company's long term growth plans. Management believes its computerized drilling control and monitoring solutions will be an important contributor towards reducing both the labour and consumable component costs of mineral drilling, and enhancing productivity rates going forward. The Company expects to have at least 30 drill rigs featuring its computerized monitoring and control technology by the end of fiscal 2013. The Board of Directors has approved a budget of $11.0 million for capital expenditures in fiscal 2013.

Orbit Garant's acquisition of Lantech Drilling in December 2011, established a new strategic hub for the Company in Eastern Canada, added 32 drill rigs to its fleet and expertise in iron ore and geotechnical drilling services. Lantech Drilling also provides Orbit Garant with a strategic entry point to the higher margin mineral drilling market in West Africa. Management plans to leverage the combined operations of Orbit Garant and Lantech Drilling to pursue new business development opportunities in Canada and internationally.

With its strong balance sheet, leading position in Quebec, growing presence in Ontario and expanded operations in New Brunswick and West Africa, Management believes Orbit Garant is well positioned for future growth. As the mining industry grows, and attracts new spending, Orbit Garant intends to build on its organic growth by focusing on acquisition opportunities both in Canada and internationally that further enhance stakeholder value.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Effective December 16, 2011, the Company completed the acquisition of Lantech Drilling and the results of Lantech Drilling operations have been included in the financial statements since the date of acquisition. However, the Company has not had sufficient time to appropriately review the internal controls used by Lantech Drilling. The Company is in the process of integrating the Lantech Drilling operation and will be expanding its disclosure controls and procedures and internal controls over financing reporting compliance program to include Lantech Drilling over the next year. As a result, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have limited the scope of design of disclosure controls and procedures and testing of internal controls over financial reporting to exclude Lantech Drilling controls, policies and procedures from the June 30, 2012 certification of internal controls. The information for Lantech Drilling is included in the discussion regarding the acquisition contained in this MD&A and Note 2 of the consolidated financial statement.

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, 2012, 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, 2012.

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 IFRS.

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 2012, 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, 2012, 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, other than retrictions mentioned above, 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.