FORAGE ORBIT GARANT DRILLING

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR END AND FOURTH QUARTER
FISCAL 2013

September 26, 2013

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 audited consolidated financial statements for the period ended June 30, 2013; 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, 2012.

The Company's fiscal 2013 audited consolidated financial statements and the accompanying notes were prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts in this MD&A are in Canadian dollars, except when 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 26, 2013. 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 fiscal 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.

FISCAL 2013 SUMMARY

- Revenue was $104.2 million in fiscal 2013, compared to $154.8 million in fiscal 2012
- Adjusted gross margin (excluding depreciation expense) of 24.4%, compared to 27.3% in fiscal 2012
- Non-cash impairment charge of $28.2 million related to goodwill and intangible assets was recognized in the fourth quarter due to ongoing market weakness
- Adjusted net earnings, excluding impairment charges, decreased to $1.7 million in fiscal 2013, compared to net earnings of $10.4 million in fiscal 2012
- EBITDA, excluding impairment charges, decreased to $15.4 million from $27.9 million in fiscal 2012
- 1.0 million metres drilled in fiscal 2013, down from 1.5 million metres in fiscal 2012
- Debt reduction of $11.7 million in fiscal 2013

Orbit Garant's fiscal 2013 results reflect the difficult market conditions prevailing in the mineral drilling industry, as many senior and intermediate mining companies have scaled back their drilling programs, and junior mining companies have significantly cut their exploration activities due to a lack of capital. Orbit Garant's customers' drilling activity in fiscal 2013 reflects these broader market trends. The Company has reduced its general and administrative expenses and capital expenditures to adjust to the current level of business activity. Total workforce was reduced by 33% to approximately 650 employees at the end of fiscal 2013, from approximately 950 employees at the end of fiscal 2012.

The Company's results for fiscal 2013 were also impacted by an impairment charge of $28.2 million to the value of goodwill and intangible assets due to ongoing market weakness. The impairment charge is a non-cash item.

CORPORATE OVERVIEW

From its head office in Val-d'Or, Québec, Orbit Garant, with approximately 650 employees, manages a fleet of 214 drilling rigs that provide surface and underground drilling services to the mining and exploration industry in Canada and internationally.

Orbit Garant has a comprehensive infrastructure that is vertically integrated with its subsidiary, Soudure Royale, which manufactures drill rigs for the Company and third parties (and so provides the Company with a competitive advantage in the provision of drilling services and equipment). Orbit Garant 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 smaller conventional drilling companies.

The Company has two operating segments: Canada (including domestic surface drilling, underground drilling and manufacturing Canada), and International.

For the twelve-month period ended June 30, 2013 ("Fiscal 2013"):

- Specialized drilling services, which typically generate a higher gross margin than conventional drilling services, accounted for approximately 61% of the Company's total revenue.

- Approximately 85% of the Company's revenues were generated by gold related operations, and approximately 15% were generated by base metal related and other operations.

- Surface and underground drilling services accounted for approximately 63% and 35%, respectively, of the Company's revenues. Orbit Garant's manufacturing subsidiary, Soudure Royale, accounted for the remaining 2% of revenue.

- Orbit Garant operates principally in stable jurisdictions, with approximately 94% of the Company's revenues generated in Canada. The Company also maintains field operations and/or offices in the USA, Mexico, Guyana, Chile (South America) and Liberia (West Africa). Approximately 99% of the Company's revenues were in Canadian dollars, providing currency stability.

- Approximately 79% of Orbit Garant's revenue was generated from major and intermediate mining company projects, compared to 74% in fiscal 2012. There are currently no projects that represent more than 10% of the Company's total revenues. Orbit Garant's drilling contracts with major and intermediate customers are typically from one 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 commitment to Research and Development ("R&D") and advanced drilling technologies, such as the Company's current implementation of computerized monitoring and control technologies;
- Provide training for the Company's personnel to continuously improve labour efficiency and 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 base of operations in strategic regions; and
- Evaluate strategic acquisition opportunities to enhance value for the Company's stakeholders.

INDUSTRY OVERVIEW

Mining companies typically outsource their drilling requirements. The contract drilling industry provides drilling services for the mining industry through all stages of mine development, from exploration through production. Mineral contract drilling companies typically service three types of mining companies: majors (or seniors), intermediates, and junior exploration companies. Demand for drilling services is driven by conditions in the global markets for ferrous (iron) and non-ferrous (precious and base metals) metals. The strength of demand is determined primarily by metals prices and the availability of capital for mining companies to finance exploration (particularly in the case of juniors) and development programs, and/or ongoing mining operations.

Gold

Gold prices are influenced by: global investment demand, including central banks, other institutions and private wealth, often as a hedge against currency inflation, or as a safe haven for capital in uncertain economic conditions; global demand for gold jewelry; and to a much lesser extent, demand from industrial applications. The price of gold has been volatile throughout 2013, beginning the year at approximately US$1,700 per ounce and declining to less than US$1,200 in July and is more than US$1,320 at the time of this report.

Base Metals

Base metals' price performance generally reflects global economic conditions, as these metals are used primarily in infrastructure, industrial and manufacturing applications. Demand from emerging markets, particularly China and India, has a major influence on base metals markets. As emerging markets advance their economic development, their infrastructure and industrial bases expand. Further, residents typically become more affluent, driving increased demand for manufactured goods.

Prices for aluminum, copper, lead, nickel and zinc – the primary industrial metals – have been volatile throughout the year. At the time of this report, prices for each of these base metals was lower than 12 months ago. Copper, by way of example, was approaching US$3.80 per pound a year ago, and at the time of this report, was trading at just over US$3.20 per pound.

Iron Ore

Iron ore prices are determined by the global demand for steel, as more than 95% of mined iron ore is used to make steel. As the world's largest steel consumer, China is widely regarded as having the most influence on global iron ore market prices. Continuing urbanization of the world's population, particularly in China and India, the world's most populous countries, is fuelling global steel consumption, with demand expected to double by 2050. In Canada, there has been a recent surge in exploration activity in the Labrador Trough region of Quebec and Labrador, which may impact future supply and prices as some of these projects come into production. The spot price of iron ore is affected in the short term by seasonal effects, short term mismatches between supply and demand and other factors. Prices for iron ore have been volatile over the past 12 months. At the time of this report, spot prices for iron ore are approximately US$130 per tonne. While current spot prices for iron ore are below the record spot price levels of over US$190 reached in 2011, they remain well above the trailing five-year price lows.

Market Participants

2013 continues to be a challenging year for intermediate and junior companies to raise capital, resulting in budget restraints and scaled back exploration and development programs. The rising costs of mineral production, caused by higher operating costs and construction costs, together with lower metals prices, are also causing some senior mining companies to review or even postpone their exploration and expansion programs.

Given current industry conditions, the worldwide budget for non-ferrous metals exploration is expected decrease in 2013 compared to 2012 levels. Junior companies typically rely on equity financing to fund exploration since they do not generate operating cash flow from producing mines. Thus, their exploration spending capacity largely depends on their ability to raise capital market conditions and investor interest. According to SNL Metals Economics Group, the amount of capital raised for precious and base metals exploration by junior companies in 2012 was down from 2011 levels, and the proportion of global exploration spending dedicated to early-stage and generative work fell to a historic low in 2012, mainly as a result of stagnant junior company budgets. These trends have continued in 2013. According to Natural Resources Canada, exploration spending by junior companies in Canada was $1.7 billion in 2012, down 15% from 2011 spending of $2.0 billion. In 2013, exploration spending by junior companies in Canada is expected to total $1.5 billion.

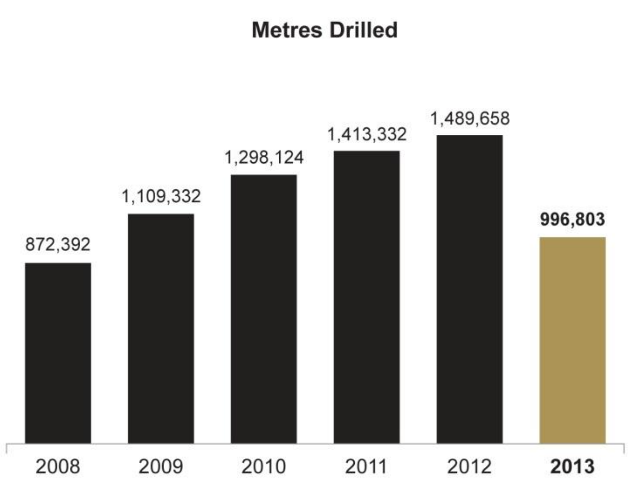
OVERALL PERFORMANCE

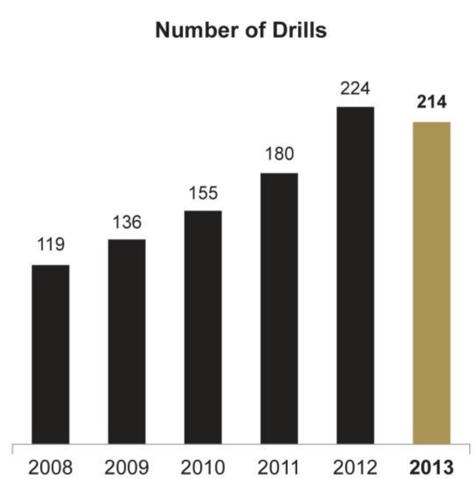
Results of operations year ended June 30, 2013

FISCAL YEAR ENDED JUNE 30 * ($millions)	Fiscal 2013	Fiscal 2012	2013 vs. 2012 Variation	Variation (%)
Revenue *	**104.2**	154.8	**(50.6)**	**(32.7)**
Gross profit *	**15.5**	33.7	**(18.2)**	**(54.0)**
Gross margin (%)	**14.9**	21.8		**(6.9)**
Adjusted gross margin (%) (1)	**24.4**	27.3		**(2.9)**
EBITDA * (2)	**15.4**	27.9	**(12.5)**	**(44.7)**
Metres drilled	**996,803**	1,489,658	**(492,855)**	**(33.1)**
Net (loss) earnings *	**(26.5)**	10.4	**(36.9)**	**(355.5)**
Net (loss) earnings per common share - Basic ($)	**(0.80)**	0.31		
- Diluted ($)	**(0.80)**	0.30		
Adjusted net earnings *(3)	**1.7**	10.4	**8.7**	**(83.3)**
Adjusted net earnings per common share - Basic ($) (4)	**0.05**	0.31		
- Diluted ($) (4)	**0.05**	0.30		

(1) Reflects gross margin, excluding depreciation expenses. See "Reconciliation of non-IFRS financial measures"
(2) EBITDA = Earnings before interest, taxes, depreciation, amortization, impairment of goodwill and intangible assets
See "Reconciliation of non-IFRS financial measures"
(3) Reflects net (loss) earnings, excluding impairment of goodwill and intangible assets
(4) Reflects net (loss) earnings per common share, excluding impairment of goodwill and intangible assets

During fiscal 2013, Orbit Garant drilled 1.0 million metres, a 33.1% decrease from 1.5 million metres drilled during fiscal 2012. The Company's average revenue per metre drilled in fiscal 2013 was $102.89 compared to $101.02 in fiscal 2012. The size of the Company's drill fleet was reduced to 214 drill rigs at fiscal 2013 year end, down from 224 drill rigs at fiscal 2012 year end. During fiscal 2013, Soudure Royale manufactured eight new drill rigs for the Company, seven of which are new computerized drill rigs; 18 drill rigs were disposed of or dismantled.

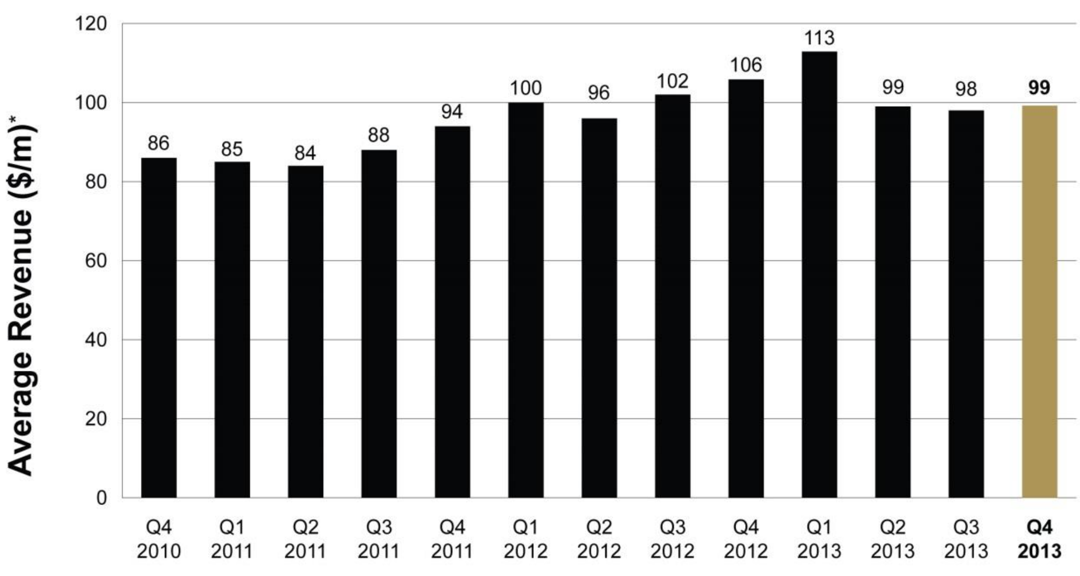




SELECTED ANNUAL FINANCIAL INFORMATION

For the year ended June 30 *($millions)	Fiscal 2013	Fiscal 2012	Fiscal 2011
Contract revenue			
Drilling Canada*	**97.7**	133.0	108.7
Drilling International*	**6.5**	21.8	19.0
Total*	**104.2**	154.8	127.7
Gross profit*	**15.5**	33.7	28.5
Gross margin (%)	**14.9**	21.8	22.3
Adjusted gross margin (%)(1)	**24.4**	27.3	27.6
Net (loss) earnings*	**(26.5)**	10.4	11.4
Net (loss) earnings per common share ($)	**(0.80)**	0.31	0.35
Net (loss) earnings per common share diluted ($)	**(0.80)**	0.30	0.34
Adjusted net earnings *(3)	**1.7**	10.4	11.4
Adjusted net earnings per common share ($) (4)	**0.05**	0.31	0.35
Adjusted net earnings per common share diluted ($) (4)	**0.05**	0.30	0.34
Total assets*	**117.2**	170.2	142.6
Long term debt*	**14.4**	26.0	14.7
Total metres drilled (million)	**1.0**	1.5	1.4
EBITDA*(2)	**15.4**	27.9	26.0
EBITDA %(2)	**14.8**	18.0	20.3

(1) Reflects gross margin, excluding depreciation expenses. See "Reconciliation of non-IFRS financial measures"
(2) EBITDA = Earnings before interest, taxes, depreciation, amortization, impairment of goodwill and intangible assets
See "Reconciliation of non-IFRS financial measures"
(3) Reflects net (loss) earnings, excluding impairment of goodwill and intangible assets
(4) Reflects net (loss) earnings per common share, excluding impairment of goodwill and intangible assets



* Figures are rounded to the nearest dollar.

RESULTS OF OPERATIONS

FISCAL 2013 COMPARED TO FISCAL 2012

Contract revenue

For the fiscal year ended June 30, 2013, the Company recorded contract revenue of $104.2 million, compared to $154.8 million in fiscal 2012, representing a decrease of $50.6 million, or 32.7%. The decrease was primarily attributable to a decline in metres drilled due to weakened overall market demand, which began in the first quarter of fiscal 2013, as a number of the Company's customers suspended or scaled back their drilling activities in response to prevailing mining industry conditions.

Domestic contract drilling revenue decreased to $97.7 million in fiscal 2013, compared to $133.0 million in fiscal 2012, a decrease of $35.3 million, or 26.5%. The decrease was attributable to the decline in domestic drilling activities, due to weakened customer demand.

International contract drilling revenue decreased 70.1% to $6.5 million in fiscal 2013, compared to $21.8 million in fiscal 2012, due to lower demand for international drilling services, as a result of industry conditions.

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

Gross profit for fiscal 2013 decreased 54.0% to $15.5 million, from $33.7 million in fiscal 2012. Gross margin for fiscal 2013 decreased to 14.9% from 21.8% in fiscal 2012. In accordance with IFRS, depreciation expenses totalling $9.9 million are included in the cost of contract revenue for fiscal 2013, compared to $8.5 million for fiscal 2012. Adjusted gross margin, excluding depreciation expenses, decreased to 24.4% in fiscal 2013, compared to 27.3% in fiscal 2012. The decline in gross profit and gross margin is attributable to reduced metres drilled for both domestic projects and higher margin international projects. The Company also experienced labour and equipment relocation costs related to completed contracts that were not renewed or replaced.

General and administrative expenses

General and administrative (G&A) expenses were $12.9 million for fiscal 2013, compared to $17.1 million in fiscal 2012. G&A expenses represented 12.4% of revenue during fiscal 2013, compared to 11.1% in fiscal 2012. In accordance with IFRS, depreciation and amortization expenses of $2.9 million are included in G&A expenses for fiscal 2013, in line with fiscal 2012. Adjusted G&A expenses, excluding depreciation and amortization expenses, totalled $10.0 million (9.6% of revenue) for fiscal 2013, compared to $14.2 million (9.2% of revenue) for fiscal 2012. The decline in G&A expenses was partially offset by an increase in bad debt provision of $0.9 million in fiscal 2013 over fiscal 2012.

The decline in G&A expenses is attributable to a reversal of a contingent consideration of $3.2 million associated with the Company's acquisition of Advantage Control Technologies (1085820 Ontario Limited) in November 2010, and the acquisition of Lantech Drilling Services Inc. in December 2011. The Company has taken actions to reduce its total G&A expenses due to the current decline in drilling activities.

EBITDA (see Reconciliation of non-IFRS measures)

EBITDA was $15.4 million for fiscal 2013, compared to $27.9 million in fiscal 2012, a decrease of $12.5 million, or 44.7%. EBITDA represented 14.8% of sales in fiscal 2013, compared to 18.0% of sales in fiscal 2012.

Financial expenses

Interest costs related to long-term debt and bank charges for fiscal 2013 were $ 1.3 million, in line with in fiscal 2012.

Impairment of goodwill and intangible assets

An impairment charge of $28.2 million was recognized in the fourth quarter of fiscal 2013. This non-cash item was a write-down of goodwill and some intangible assets, resulting from the ongoing weakness in both domestic and international drilling markets.

Income tax expenses (recovery)

Income tax recovery was $0.4 million in fiscal 2013, compared to $4.7 million of income tax expense in fiscal 2012, attributable to the reduction of net earnings.

Net earnings (loss)

Net loss in fiscal 2013 totalled $26.5 million, or $(0.80) per common share (basic and diluted), compared to net earnings of $10.4 million, or $0.31 per common share ($0.30 per share diluted) in fiscal 2012. The Company's net loss in fiscal 2013 included a non-cash impairment charge of $28.2 million related to a write-down of goodwill and intangible assets. Adjusted net earnings for fiscal 2013, excluding impairment charges, were $1.7 million, or $0.05 per common share (basic and diluted). The decline in metres drilled and lower rig utilization due to weakened demand, contributed to the decline in adjusted net earnings.

SUMMARY ANALYSIS OF FISCAL 2012 COMPARED TO FISCAL 2011

Revenue for the fiscal year ended June 30, 2012 was $154.8 million compared to $127.7 million for fiscal 2011, representing an increase of $27.1 million or 21.2%.

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. Adjusted gross margin decreased slightly to 27.3% in fiscal 2012, compared to 27.6% in fiscal 2011.

Net earnings for fiscal 2012 totaled $10.4 million, or $0.31 per share ($0.30 per share diluted), compared to $11.4 million, or $0.35 per share ($0.34 per share diluted) in fiscal 2011.

OVERALL PERFORMANCE

SUMMARY OF QUARTERLY RESULTS

* ($millions)		Fiscal 2013				Fiscal 2012			
		June 30	**Mar. 31**	**Dec. 31**	**Sept. 30**	**June 30**	**Mar. 31**	**Dec. 31**	**Sept. 30**
Contract revenue *		**21.4**	23.7	24.2	34.9	43.6	41.7	32.4	37.1
Gross profit *		**2.3**	3.4	2.9	6.9	7.7	10.0	7.1	8.9
Gross margin %		**10.6**	14.5	11.9	19.8	17.7	23.9	21.7	24.0
Adjusted Gross margin % (1)		**21.9**	25.3	22.2	26.8	22.6	29.4	28.3	29.5
Net (loss) earnings *		**(27.6)**	(0.6)	(0.3)	2.0	1.3	3.5	1.9	3.7
EBITDA *(2)		**3.1**	2.9	3.1	6.3	5.5	8.3	5.8	8.3
Net (loss) earnings per common share ($)	- Basic	**(0.83)**	(0.02)	(0.01)	0.06	0.04	0.10	0.06	0.11
	- Diluted	**(0.83)**	(0.02)	(0.01)	0.06	0.04	0.10	0.05	0.11

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

SEASONALITY

The Company's revenue reflects certain seasonal factors. In the underground drilling division, scheduled mine shutdowns 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 to be planned around seasonal fluctuations. Similarly, in the international surface drilling division, weather conditions during certain periods of the year make drilling difficult, resulting in revenue fluctuations.

ANALYSIS OF THE FOURTH QUARTER OF FISCAL 2013 COMPARED TO FISCAL 2012

Contract Revenue

Revenue for the fourth quarter of fiscal 2013 ("Q4 FY2013") totaled $21.4 million, a decrease of $ 22.2 million, or 50.9%, compared to the fourth quarter of fiscal 2012 ("Q4 FY2012"). The decrease was primarily attributable to a decline in metres drilled, as some of the Company's customers suspended or scaled back their drilling activities, and lower average revenue per metre drilled in Q4 FY2013, compared to Q4 FY2012. The Company's average revenue per metre drilled in Q4 FY2013 was $99.22 compared to $105.83 in Q4 FY2012.

Drilling Canada revenue was $20.4 million in Q4 FY2013, compared to $38.7 million in Q4 FY2012, representing a decrease of $18.3 million, or 47.5%. The decrease was primarily attributable to a decline in metres drilled during the quarter and lower average revenue per metre drilled.

Drilling International revenue was $1.0 million in Q4 FY2013, compared to $4.7 million in Q4 FY2012, a decrease of $3.7 million, or 78.7%, due to lower demand for drilling services.

Gross Profit and Margins (see Reconciliation of non-IFRS measures)

Gross profit for Q4 FY2013 decreased to $2.3 million from $7.7 million in Q4 FY2012. Gross margin for Q4 FY2013 decreased to 10.6% from 17.7% in the fourth quarter a year ago. In accordance with IFRS, depreciation expenses totalling $2.4 million are included in cost of contract revenue for Q4 FY2013, compared to $2.1 million for Q4 FY2012. Adjusted gross margin, excluding depreciation expenses, decreased to 21.9% in Q4 FY2013, from 22.6% in Q4 FY2012. The decline in gross profit and gross margin is attributable to reduced metres drilled for both domestic and higher-margin international projects, lower average revenue per metre drilled, as well as to labour and equipment relocation costs related to completed contracts that were not renewed or replaced as had previously been expected.

General and Administrative Expenses

General and administrative (G&A) expenses were reduced to $2.3 million (10.9% of revenue) in Q4 FY2013, compared to $5.1 million (11.7% of revenue) in Q4 FY2012. In accordance with IFRS, depreciation and amortization expenses of $0.7 million are included in G&A expenses for Q4 FY2013, compared to $0.9 million in Q4 FY2012. Adjusted G&A expenses, excluding depreciation and amortization expenses, were reduced to $1.6 million (7.6% of revenue) in Q4 FY2013, from $4.2 million (9.7 % of revenue) in Q4 FY2012.

The decline in G&A expenses is primarily attributable to a reversal of a contingent consideration of $2.4 million associated with the Company's acquisition of Advantage Control Technologies (1085820 Ontario Limited) in November 2010 and the acquisition of Lantech Drilling Services Inc. in December 2011. The decline in G&A expenses in Q4 FY2013 was partially offset by an increase in bad debt provision of $0.7 million in Q4 FY2013 over Q4 FY2012.

EBITDA (see Reconciliation of non-IFRS measures)

EBITDA totalled $3.1 million (14.7% of revenue) in Q4 FY2013, compared to $5.5 million (12.9% of revenue) in the fourth quarter a year ago, a decrease of $2.4 million, or 44.0%. The decline is primarily attributable to decreased domestic and international drilling revenue.

Financial Expenses

Interest costs related to long-term debt and bank charges were $0.4 million in Q4 FY2013, in line with Q4 FY2012.

Impairment of goodwill and intangible assets

An impairment charge of $28.2 million was recognized in Q4 FY2013. This non-cash item was a write-down of goodwill and some intangible assets due to ongoing weakness in the domestic and international drilling markets.

Income Tax Expenses (recovery)

Income tax recovery was $0.9 million for Q4 FY2013, compared to $0.9 million of income tax expenses in the fourth quarter of fiscal 2012, attributable to the reduction in net earnings.

Net Earnings (loss)

The Company's net loss for Q4 FY2013 was $27.6 million, or $(0.83) per common share (basic and diluted), compared to net earnings of $1.3 million, or $0.04 per share (basic and diluted) in Q4 FY2012. This decrease is attributable to the impact of an impairment charge of $28.2 million. Adjusted net earnings for fiscal 2013, excluding impairment of goodwill and intangible assets, were $0.6 million, or $0.02 per common share (basic and diluted). The decline in metres drilled, lower rig utilization due to weakened demand, and lower average revenue per metre drilled contributed to the decline in adjusted net earnings.

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 partially offset by revenue of approximately $1.2 million earned in U.S. dollars, related primarily to international drilling activities. As at June 30, 2013, the Company had US$1.1 million in cash (June 30, 2012, $0.9 million) and accounts receivable in US dollars of US$0.5 million (June 30, 2012, $2.2 million).

As at June 30, 2013, the Company estimated that a 10% increase or decrease of the U.S. exchange rate would have caused a corresponding annual increase or decrease in net earnings and comprehensive earnings of approximately $0.1 million (June 30, 2012, $0.2 million).

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Cash flow from operations, before non-cash operating working capital items, was $13.4 million in fiscal 2013, compared to $28.7 million in fiscal 2012.

The change in non-cash operating working capital items was an inflow of $10.6 million in fiscal 2013, compared to an outflow of $7.6 million in fiscal 2012. The inflow in non-cash operating working capital in fiscal 2013 resulted primarily from a larger decrease in accounts receivable and inventory, than the decline in accounts payable and accrued liabilities.

Investing Activities

Cash used in investing activities totalled $9.3 million in fiscal 2013, compared to $22.1 million in fiscal 2012. During FY2013, $9.3 million was used for the acquisition of property, plant and equipment and $0.4 million in payment of contingent considerations, partially offset by cash inflow of $0.4 million on disposition of property, plant and equipment. This compares with $18.4 million for the acquisition of property, plant and equipment and cash inflow of $1.7 million on disposition of property, plant, equipment and the construction of a new facility in Val-d'Or, Quebec, in fiscal 2012. During fiscal 2012, $5.4 million was used for the acquisition of Lantech Drilling Services Inc.

Financing Activities

During fiscal 2013, the Company repaid a net amount of $11.7 million on its $40.0 million revolving Credit Facility. In fiscal 2012, cash flow generated from financing activities was $8.6 million. As at June 30, 2013, the Company's long-term debt, including the current portion, was $14.8 million, compared to $26.4 million as at June 30, 2012. The debt was used to support the acquisition of capital assets, including property, plant and equipment.

As at June 30, 2013, the Company's working capital was $51.2 million, compared to $60.3 million as at June 30, 2012. The decline in working capital resulted from a larger reduction in accounts receivable and inventory, than the accounts payable and accrued liabilities noted above. The Company's working capital requirements primarily 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 expenditures and debt obligations. The Company's principal capital expenditures are related to 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. This Credit Facility matures no later than May 27, 2015. As at June 30, 2013, the Company had drawn $14.4 million ($25.6 million as at June 30, 2012).

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

As at June 30, 2013, 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 *	14,903	338	14,565	-
Operating leases *	1,281	408	507	366
Contingent consideration*	1,175	375	800	-
Other long-term obligations *	-	-	-	-
Total *	17,359	1,121	15,872	366

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company's audited consolidated financial statements have been prepared in accordance with **International Financial Reporting Standards ("IFRS")**, issued and effective, or issued and early adopted, for the year ended June 30, 2013. The IFRS accounting policies set our below were consistently applied to all periods presented. Please refer to Note 3 in the Company's consolidated financial statements for the year ended June 30, 2013 for a complete description of the Company's significant accounting policies.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in Note 4 in the Company's consolidated financial statements for the year ended June 30, 2013.

These audited consolidated financial statements have been prepared on a historical cost basis, except for the contingent considerations, 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"). All values are rounded to the nearest thousand dollars, except where otherwise indicated.

These audited consolidated financial statements were approved for issue by the Board of Directors of Orbit Garant Drilling Inc. on September 26, 2013.

Principles of Consolidation

The Company's audited consolidated financial statements incorporate the Company's financial statements and entities controlled by the Company. A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of earnings from the effective date of acquisition and up to the effective date of disposal, as appropriate. Intercompany transactions and balances are eliminated on consolidation.

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.

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 Management. Any changes are accounted for prospectively as a change in accounting estimate. As at June 30, 2013, 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.

Impairment of long-lived assets

An impairment loss is recognized when the carrying amount of an asset is not recoverable and exceeds its recoverable value. Management reviews on a regular basis the impairment assessment of its property, plant and equipment to criteria defined in Note 3.

Estimated impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires Management to estimate future cash flows expected to arise from the CGU and suitable discount rate in order to calculate present value. The key assumptions required for the value in use estimation are the future cash flows growth rate and the discount rate. Cash flows for each CGU are derived from the budget for the upcoming year and a long-term forecast prepared by Management, which covers a period of 5 years. The budget which is approved on an annual basis by members of the Company's Board of Directors and Management and long-term forecast which is prepared on an annual basis by the Company's Management; are the primary sources for the determination of value in use. The values assigned to the key assumptions reflect past experience and are consistent with external sources of information.

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 accounting standards and accordingly, the adoption impact of these new standards on the consolidated financial statements, have not yet been determined:

IFRS 7 - Financial instruments - Disclosure, and IAS 32 - Financial instruments - Presentation
IFRS 7 and IAS 32 were amended to include obligations of qualitative and quantitative information related to gross and net amounts recognized in the Financial statements that; a) are subject to an offset in the Statement of financial position and b) are subject to a master netting agreement or similar agreement enforceable even if they are not netted in the Statement of financial position. Amended IFRS 7 and amended IAS 32 are applicable for periods beginning on, or after January 1, 2013 and January 1, 2014, respectively, and the disclosures must be presented retrospectively.

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 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 the fair value and demands the disclosure of the 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.

IAS 19 - Employee benefits
ISA 19 was amended to eliminate the application of the so-called "corridor" method has the effect of deferring the recognition of gains and losses, to simplify the presentation of changes in assets and liabilities arising from defined benefit plans and improve disclosures for defined benefit plans. IAS 19 amended is effective for periods beginning on, or after January 1, 2013 with early adoption permitted.

IAS 27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures
IAS 27 and IAS 28 were amended and renamed to be consistent with the publication of IFRS 10, IFRS 11 and IFRS 12. IAS 27 amended and IAS 28 amended are applicable for periods beginning on or after January 1, 2013 with early adoption permitted of the entity early adopts also IFRS 10, IFRS 11 and IFRS 12.

The International Accounting Standards Board issued a collection of amendments to IFRS as follows:

IFRS 1, First-time adoption of IFRS («IFRS 1») related to repeated application of IFRS 1 and to borrowing costs.

IAS 1, *Presentation of Financial Statements*, related to clarification of the requirements for comparative information.

IAS 16, Property, Plant and Equipment, related to classification of servicing equipment.

IAS 32, Financial Instruments: Presentation, related to tax effect of distribution to holders of equity instruments.

IAS 34, Interim Financial Reporting, related to interim financial reporting and segment information for total assets and liabilities.

These amendments are applicable for the Company for its annual periods beginning on or after January 1, 2013, with earlier application 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:	Earnings (loss) before interest, taxes, depreciation, amortization, impairment of goodwill and intangible assets.
Adjusted gross margin:	Contract revenue less operating costs. Operating expenses comprise material and service expenses, personnel expenses, other operating expenses, excluding depreciation.

EBITDA

Reconciliation of EBITDA

(unaudited) (in millions of dollars)	Three months ended June 30, 2013	Three months ended June 30, 2012	Twelve months ended June 30, 2013	Twelve months ended June 30, 2012
Net (loss) earnings for the period	**(27.6)**	1.3	**(26.5)**	10.4
Finance costs	**0.4**	0.4	**1.3**	1.3
Income tax expense (recovery)	**(0.9)**	0.9	**(0.4)**	4.7
Depreciation and amortization	**3.0**	2.9	**12.8**	11.5
Impairment of goodwill and intangible assets	**28.2**	----	**28.2**	----
EBITDA	**3.1**	5.5	**15.4**	27.9

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, 2013	Three months ended June 30, 2012	Twelve months ended June 30, 2013	Twelve months ended June 30, 2012
Contract revenue	**21.4**	43.6	104.2	154.8
Cost of contract revenue (including depreciation)	**19.1**	35.9	88.7	121.1
Less depreciation	**(2.4)**	(2.1)	(9.9)	(8.5)
Direct costs	**16.7**	33.8	78.8	112.6
Adjusted gross profit	**4.7**	9.8	25.4	42.2
Adjusted gross margin (%) (1)	**21.9**	22.6	24.4	27.3

(1) Adjusted gross profit, divided by Contract revenue X 100

OUTSTANDING SECURITIES AS OF SEPTEMBER 26, 2013

Number of common shares	**33,276,519**
Number of options	**3,150 ,000**
Fully diluted	**36,449,519**

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 should be read in conjunction with, the detailed information appearing elsewhere in this report and in the Company's Annual Information Form dated September 26, 2013. 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 affected materially and adversely.

Risk Related to Structure to the Business and 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. 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 that, 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. In turn, this could have a material adverse effect on the business, financial condition and results of operations of Orbit Garant.

At the end of June 30, 2013, 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 $1.2 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 can occur 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 26, 2013, Pierre Alexandre, Vice-Chairman and Vice-President of Business Development 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, 2013, the amount of the insurance coverage from EDC represents approximately 35% of the accounts receivable (24% in 2012).

As at June 30, 2013, 37% (43% as at June 30, 2012) of the trade accounts receivable are aged as current and 7% (1% as at June 30, 2012) of receivables are impaired.

One major customer represented 26% of the trade accounts receivable as at June 30, 2013 (June 30, 2012, two major customers represented 34% of these accounts).

In fiscal 2013, one major customer represented 22% of the contract revenue for the year June 30, 2013 (year ended June 30, 2012, one major customer represented 15%).

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 rate risk since a significant part of the long-term debt bears interest at variable rates.

As at June 30, 2013, the Company 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 ($0.2 million impact in 2012).

Fair Value

The fair value of cash, accounts receivable, 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 of the contingent consideration has been evaluated with a discounted rate value.

OUTLOOK

With both base metals and gold prices now at lower levels than a year ago, many exploration and mining companies are continuing to exercise restraint with regard to their exploration and development programs. Senior and intermediate mining companies have scaled back their drilling programs for 2013. At the same time, junior mining companies have significantly cut their exploration activities due to a lack of capital. The recent volatility in gold prices has raised concerns that gold producers will have to slow spending by deferring new capital programs, delaying development of new projects and cutting discretionary expenses. As metal prices have risen over the past decade, production costs including labour, materials, equipment and energy have increased in tandem. These adverse market conditions have created a short term oversupply of drilling services capacity in the market, which in turn has created downward pricing pressure. Management expects that these market conditions will continue to negatively affect Orbit Garant's and other contract drilling companies' utilization rates and gross margins in the near term.

Despite these current market challenges, management believes the long-term outlook for the mining industry is positive. While global economic conditions may negatively impact market conditions from time-to-time, management believes long-term global demand for ferrous and non-ferrous metals combined with depleting resources will ultimately result in increased exploration and development activities by mining companies. Increased demand for minerals from developing countries, such as Brazil, Russia, India and China, provides the greatest impetus for long-term growth. China, the world's second largest economy, now has a significant impact on global demand and pricing for ferrous and non-ferrous metals. The lack of major new mineral discoveries, shortages of labour and other supply issues affecting traditional markets are all contributing to constraints in supply.

In the short term, Management will strive to maximize stakeholder value principally by reducing costs, optimizing drill rig utilization, increasing productivity, preserving the Company's cash position and continuing to build upon Orbit Garant's strong health and safety standards. Management believes the Company's computerized monitoring and control drilling technology will be an important component in achieving these goals by reducing both labour and consumable drilling costs, enhancing driller productivity rates and improving safety going forward. Orbit Garant currently expects to have approximately 20 drill rigs featuring its computerized monitoring and control technology by the end of fiscal 2014. The Company's capital expenditure budget for fiscal 2014 is $3.4 million, down from $9.3 million in fiscal 2013, reflecting disciplined cost management in line with current market demand. Orbit Garant will continue to monitor market conditions closely and manage its staff and inventory levels, capital expenditures and balance sheet accordingly. With its strong balance sheet, Orbit Garant remains committed to pursuing value-enhancing growth opportunities in Canada and internationally.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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, 2013, 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, 2013.

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 2013, 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, 2013, 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.