MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR END AND FOURTH QUARTER
FISCAL 2014

September 22, 2014

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 fiscal year ended June 30, 2014; as compared with 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, 2013.

The Company's fiscal 2014 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 22, 2014. 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. For a more complete discussion of the risk factors that could cause the Company's actual results to materially differ from its current expectations, please refer to the Company's Annual Information Form dated September 22, 2014, accessible via www.sedar.com

FISCAL 2014 SUMMARY

- Revenue was $71.5 million, compared to $104.2 million in fiscal 2013
- Gross margin of 5.2% compared to 14.9% in fiscal 2013
- Adjusted gross margin (excluding depreciation expense) of 18.5%, compared to 24.4% in fiscal 2013
- EBITDA decreased to $3.4 million from $15.4 million in fiscal 2013
- Net loss of $6.3 million compared to $26.5 million in fiscal 2013
- 0.8 million metres drilled in fiscal 2014, down from 1.0 million metres in fiscal 2013
- Debt reduction of $6.2 million in fiscal 2014

Orbit Garant's results in fiscal 2014 were negatively affected by lower drilling volumes and lower pricing, reflecting the difficult market conditions prevailing in the mineral drilling industry. Many senior and intermediate mining companies have scaled back their drilling programs over the past 16 to 22 months, and junior mining companies have significantly cut their exploration activities due to a lack of capital. Orbit Garant's customers' drilling activity in fiscal 2014 reflects these broad market trends. The Company continues to control costs, monitor its workforce and manage its capital expenditures to adjust to the current level of business activity.

CORPORATE OVERVIEW

From its head office in Val-d'Or, Québec, Orbit Garant, with approximately 600 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. The Company also provides geotechnical drilling services to mining or mineral exploration companies, engineering and environmental consultant firms and government agencies.

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, 2014 ("Fiscal 2014"):

- Specialized drilling services, which typically generate a higher gross margin than conventional drilling services, accounted for approximately 38% of the Company's total revenue.

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

- Surface and underground drilling services accounted for approximately 58% and 40%, 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 95% of the Company's revenues generated in Canada. The Company also maintains field operations and/or offices in the USA, Guyana, Mexico, Chile (South America) and Ghana (West Africa). Approximately 99% of the Company's revenues were in Canadian dollars, providing currency stability.

- Approximately 75% of Orbit Garant's revenue was generated from major and intermediate mining company projects, compared to 79% in fiscal 2013. 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 the leading Canadian-based mineral drilling company. This will be achieved through the pursuit of both domestic and international opportunities and through the provision of best-in-class underground and surface drilling services, equipment and personnel 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

Orbit Garant provides drilling services to the minerals industry through all stages of mine development, from exploration through production. The client mining companies consist of major (or senior), intermediate, 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, global demand for gold jewelry; and to a much lesser extent, demand from industrial applications. Following a historical 10-year price rally in the price of gold that started in 2001, and resulted in a peak spot price of US$1,895 per ounce in September 2011, the price of gold entered a period of decline starting in January 2013, when it was at approximately US$1,700 per ounce and declining to approximately US$1,200 per ounce in December 2013. To date in 2014, the spot price for gold has ranged from US$1,221 per ounce to US$1,385 per ounce. At the time of this report, the price of gold was just over US$1,210 per ounce.

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.

Aluminum, copper, lead, nickel and zinc are the primary base metals. At the time of this report, the spot price for copper was lower than 12 months ago, while the spot prices of aluminum, lead, nickel and zinc were higher. The spot price for copper, the metal widely considered to be the most sensitive to macroeconomic activity, was just over US$3.30 per pound a year ago and at the time of this report was just over US$3.00 per pound. Current spot prices for each of the other primary base metals, except for zinc, are currently at the low end of their trailing five-year price ranges.

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. In the short term, the spot price of iron ore is principally affected by seasonal effects, short term mismatches between supply and demand and other factors. At the time of this report, the spot price for iron ore was just over US$90 per tonne, representing the lowest point in its trailing five-year price history. The longer term downward pressure on iron ore prices has been the result of several factors, including rising production, plentiful supply, high stocks and a slowdown in growth in China.

Market Participants

The past two years have been challenging for intermediate and junior mining companies needing to raise capital, resulting in budget restraints and reduced exploration and development programs. Further, the rising costs of mineral production, caused by higher operating and construction costs, combined with lower metals prices has also forced some senior and well financed intermediate mining companies to delay or scale back their drilling programs. These trends are expected to continue in the near term.

OVERALL PERFORMANCE

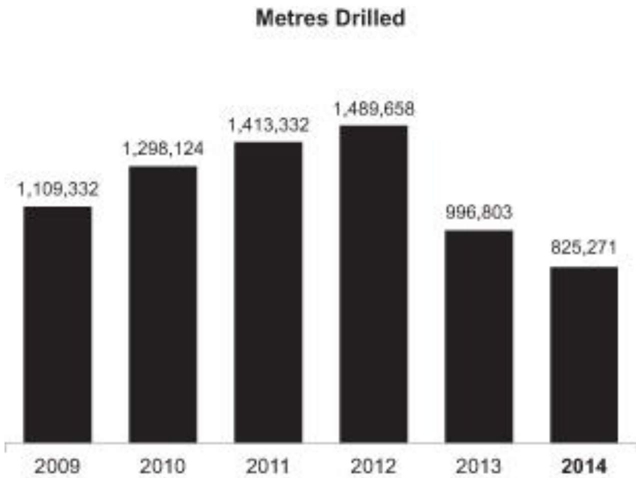
Results of operations for the year ended June 30, 2014

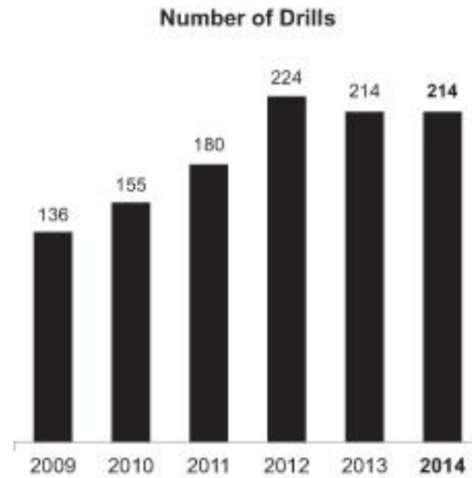
FISCAL YEAR ENDED JUNE 30 * ($millions)		Fiscal 2014	Fiscal 2013	2014 vs. 2013 Variation	Variation (%)
Revenue *		71.5	104.2	(32.7)	(31.3)
Gross profit *		3.8	15.5	(11.7)	(75.8)
Gross margin (%)		5.2	14.9		(9.7)
Adjusted gross margin (%) (1)		18.5	24.4		(5.9)
EBITDA * (2)		3.4	15.4	(12.0)	(77.9)
Metres drilled		825,271	996,803	171,532	(17.2)
Net (loss) earnings *		(6.3)	(26.5)	20.2	
Net (loss) earnings per common share	- Basic ($)	(0.19)	(0.80)	0.61	
	- Diluted ($)	(0.19)	(0.80)	0.61	

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

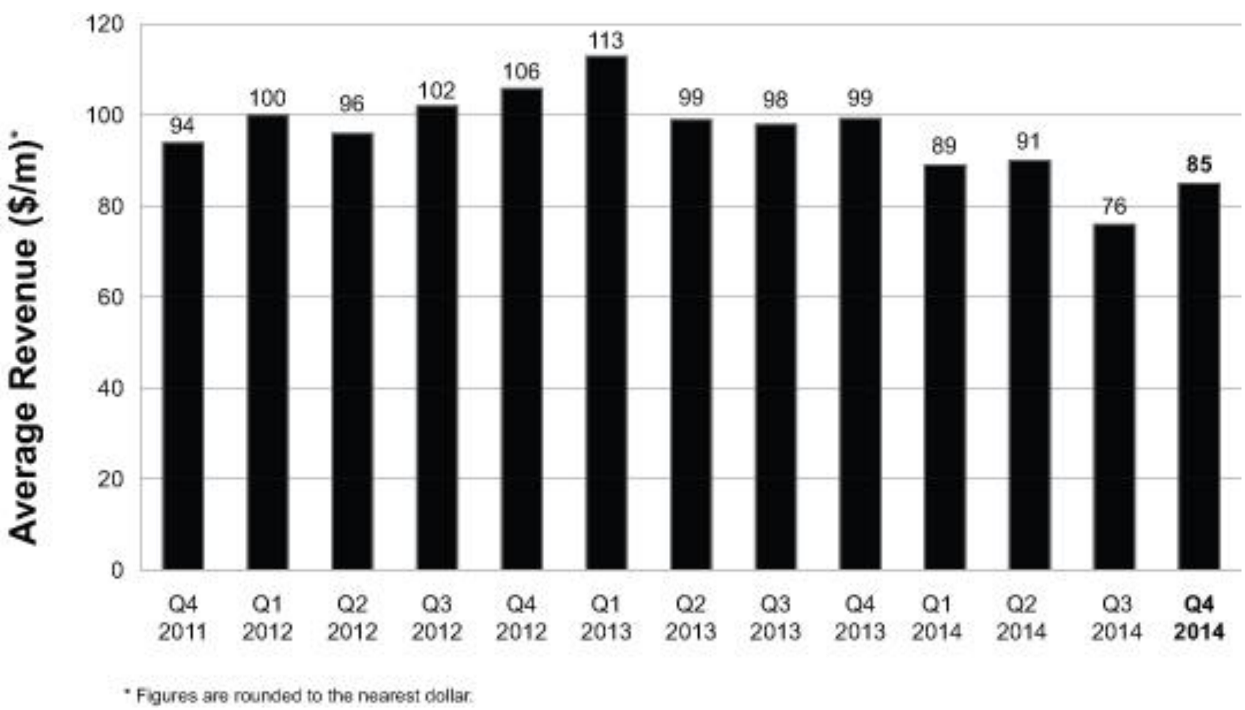
During fiscal 2014, Orbit Garant drilled 825,271 metres, a 17.2% decrease from 996,803 metres drilled during fiscal 2013. The decline in metres drilled reflects decreased demand from customers. Further, a number of Orbit Garant's recent drilling contracts are for shorter durations and for a lower number of metres as compared to the Company's more typical historical contracts. The Company's average revenue per metre drilled in fiscal 2014 was $85.17 compared to $102.89 in fiscal 2013. The decline in average revenue per metre drilled is attributable to a number of factors, including: current conditions in the minerals industry, which has resulted in pricing pressure from customers, and a significant decline in the Company's specialized drilling activity, which is typically charged at a higher rate.

The size of the Company's drill fleet was stable at 214 drill rigs at fiscal 2014 year end. During fiscal 2014, Soudure Royale manufactured four new computerized drill rigs for the Company and dismantled four drill rigs. The Company currently has 20 drill rigs outfitted with its computerized monitoring and control technology.





Average Revenue Per Metre Drilled



SELECTED ANNUAL FINANCIAL INFORMATION

For the year ended June 30 *($millions)	Fiscal 2014	Fiscal 2013	Fiscal 2012
Contract revenue			
Drilling Canada*	**68.2**	97.7	133.0
Drilling International*	**3.3**	6.5	21.8
Total*	**71.5**	104.2	154.8
Gross profit*	**3.8**	15.5	33.7
Gross margin (%)	**5.2**	14.9	21.8
Adjusted gross margin (%) (1)	**18.5**	24.4	27.3
Net (loss) earnings *	**(6.3)**	(26.5)	10.4
Net (loss) earnings per common share ($)	**(0.19)**	(0.80)	0.31
Net (loss) earnings per common share diluted ($)	**(0.19)**	(0.80)	0.30
Total assets*	**103.0**	117.2	170.2
Long term debt including current portion*	**8.5**	14.8	26.4
Total metres drilled (million)	**0.8**	1.0	1.5
EBITDA*(2)	**3.4**	15.4	27.9
EBITDA %(2)	**4.8**	14.8	18.0

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

RESULTS OF OPERATIONS

FISCAL 2014 COMPARED TO FISCAL 2013

Contract revenue

For the fiscal year ended June 30, 2014, the Company recorded contract revenue of $71.5 million, compared to $104.2 million in fiscal 2013, representing a decrease of $32.7 million, or 31.3%. The decrease was primarily attributable to a decline in metres drilled and lower average revenue per metre drilled in both the Domestic and International operating segments, reflecting weakened industry-wide demand for mineral drilling services.

Domestic contract drilling revenue decreased to $68.2 million in fiscal 2014, compared to $97.7 million in fiscal 2013, a decrease of $29.5 million, or 30.1%.

International contract drilling revenue decreased 49.2% to $3.3 million in fiscal 2014, compared to $6.5 million in fiscal 2013.

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

Gross profit for fiscal 2014 decreased 75.9% to $3.8 million, compared to $15.5 million in fiscal 2013. Gross margin for fiscal 2014 decreased to 5.2% from 14.9% in fiscal 2013. In accordance with IFRS, depreciation expenses totalling $9.5 million are included in the cost of contract revenue for fiscal 2014, compared to $9.9 million for fiscal 2013. Adjusted gross margin, excluding depreciation expenses, decreased to 18.5% in fiscal 2014, compared to 24.4% in fiscal 2013. The decrease in gross profit, gross margin and adjusted gross margin is primarily attributable to lower average revenue per metre drilled, decreased metres drilled, decreased of specialized drilling which is typically higher margin, employee-related fixed costs on a lower revenue base and severe winter weather conditions in Canada in the third quarter of fiscal 2014, which resulted in higher fuel and maintenance costs and a decline in driller productivity on certain project sites. This was partly offset by a reduction of the workforce and close cost control.

Drilling Canada's gross profit totalled $4.7 million, a decrease of $11.9 million from $16.6 million in fiscal 2013, attributable to the factors discussed above.

Drilling International's gross loss totalled $0.9 million, compared to $1.1 million for the same period in the previous fiscal year, a decrease of $0.2 million.

General and Administrative Expenses

General and administrative (G&A) expenses were $11.4 million for fiscal 2014, compared to $12.9 million in fiscal 2013. G&A expenses represented 16.0% of revenue during fiscal 2014, compared to 12.4% in fiscal 2013. G&A expenses in fiscal 2014 include a reversal of a contingent consideration of $1.0 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, compared to a reversal of a contingent consideration (associated with the same transactions) of $3.2 million that was included in G&A expenses in fiscal 2013.

In accordance with IFRS, depreciation and amortization expenses of $1.6 million are included in G&A expenses for fiscal 2014, compared to $2.9 million in fiscal 2013. Adjusted G&A expenses, excluding the reversal of a contingent consideration, depreciation and amortization expenses, totalled $10.9 million (15.2% of revenue) for fiscal 2014, compared to $13.2 million (12.7% of revenue) for fiscal 2013. The decrease in G&A expenses and adjusted G&A expenses resulted from the actions taken by the Company to reduce expenses due to current market conditions.

During fiscal 2014, the Company recorded restructuring charges of $0.3 million consisting primarily of severance payments.

EBITDA (see Reconciliation of non-IFRS measures)

EBITDA was $3.4 million for fiscal 2014, compared to $15.4 million in fiscal 2013, a decrease of $12.0 million, or 77.9%. EBITDA represented 4.8% of sales in fiscal 2014, compared to 14.8% of sales in fiscal 2013.

Financial expenses

Interest costs related to long-term debt and bank charges for fiscal 2014 were $ 0.9 million, compared to $1.3 million in fiscal 2013.

Impairment of goodwill and intangible assets

No impairment charges were recognized in fiscal 2014. An impairment charge of $28.2 million was recognized in 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 Recovery

Income tax recovery was $2.5 million in fiscal 2014, compared to$0.4 million in fiscal 2013.

Net loss

Net loss in fiscal 2014 totalled $6.3 million ($0.19 per share), compared to $26.5 million ($0.80 per share) in fiscal 2013. The Company's net loss in fiscal 2013 included non-cash impairment charge of $28.2 million related to a write-down of goodwill and intangible assets. Reduced domestic and international revenue, and lower gross margins, as discussed above, contributed to the Company's net loss in fiscal 2014

SUMMARY ANALYSIS OF FISCAL 2013 COMPARED TO FISCAL 2012

Revenue for the fiscal year ended June 30, 2013 was $104.2 million compared to $154.8 million for fiscal 2012, representing a decrease of $50.6 million, or 32.7%.

Gross profit for fiscal 2013 decreased 54.0% to $15.5 million, compared to $33.7 million in fiscal 2012. Adjusted gross margin decreased to 24.4% in fiscal 2013, compared to 27.3% in fiscal 2012. Decrease in gross profit and gross margin was primarily attributable to reduced metres drilled for both domestic projects and higher margin international projects.

Net loss for fiscal 2013 totaled $26.5 million ($0.80 per share), compared to net earnings of $10.4 million ($0.31 per share) in fiscal 2012.

OVERALL PERFORMANCE

SUMMARY OF QUARTERLY RESULTS

* ($millions)		Fiscal 2014				Fiscal 2013			
		June 30	**Mar. 31**	**Dec. 31**	**Sept. 30**	**June 30**	**Mar. 31**	**Dec. 31**	**Sept. 30**
Contract revenue *		**20.2**	16.0	16.8	18.5	**21.4**	23.7	24.2	34.9
Gross profit *		**1.8**	(1.1)	1.1	2.0	**2.3**	3.4	2.9	6.9
Gross margin %		**8.4**	(6.7)	6.8	10.7	**10.6**	14.5	11.9	19.8
Adjusted Gross Margin % (1)		**20.5**	7.9	20.5	23.5	**21.9**	25.3	22.2	26.8
Net earnings (loss) *		**(0.8)**	(2.9)	(1.5)	(1.1)	**(27.6)**	(0.6)	(0.3)	2.0
Net earnings (loss) per common share ($)	- Basic	**(0.02)**	(0.09)	(0.05)	(0.03)	**(0.83)**	(0.02)	(0.01)	0.06
	- Diluted	**(0.02)**	(0.09)	(0.05)	(0.03)	**(0.83)**	(0.02)	(0.01)	0.06

(1) Reflects gross margin, excluding depreciation expenses. See "Reconciliation of non-IFRS financial measures"
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 2014 COMPARED TO THE FOURTH QUARTER OF FISCAL 2013

Contract Revenue

Revenue for the three-month period ended June 30, 2014 ("Q4 FY2014") totaled $20.2 million, a decrease of $1.2 million, or 5.1%, from $21.4 million for the quarter ended June 30, 2013 ("Q4 FY2013"). The decrease was primarily attributable to lower average revenue per metre drilled, partially offset by increased metres drilled. The Company drilled 234,287 metres in Q4 FY2014, compared to 211,457 metres in Q4 FY2013. Average revenue per metre drilled was $85.33 in Q4 FY2014, down from $99.22 per metre in Q4 FY2013. The decline in average revenue per metre drilled is primarily attributable to pricing pressure and a significant decline in the Company's specialized drilling activity, which is typically charged at a higher rate.

Drilling Canada revenue was $20.0 million in Q4 FY2014, compared to $20.4 million in Q4 FY2013, representing a decrease of $0.4 million, or 1.4%. The decrease was attributable to the factors discussed above.

Drilling International revenue was $0.2 million in Q4 FY2014, compared to $1.0 million in Q4 FY2013, a decrease of $0.8 million, or 79.0%, due to lower demand for drilling services.

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

Gross profit for Q4 FY2014 decreased to $1.8 million from $2.3 million in Q4 FY2013. Gross margin for Q4 FY2014 decreased to 8.4% from 10.6% 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 FY2014, in line with Q4 FY2013. Adjusted gross margin, excluding depreciation expenses, decreased to 20.5% in Q4 FY2014, from 21.9% in Q4 FY2013. The decline in gross profit, gross margin and adjusted gross margin is primarily attributable to lower average revenue per metre drilled and employee-related fixed costs on a lower revenue base.

Drilling Canada's gross profit was $1.9 million, a decrease of $0.9 million, from $2.8 million in Q4 FY2013; reflecting lower average revenue per metre drilled, and lower margins as discussed above. A reduction in specialized drilling activities, which are typically higher margin, also contributed to the decline in gross profit and margin.

Drilling International's gross loss totalled $0.2 million, compared to $0.6 million in Q4 FY2013.

General and Administrative Expenses

General and administrative (G&A) expenses were $2.4 million (11.7% of revenue) in Q4 FY2014, compared to $2.3 million (10.9% of revenue) in Q4 FY2013. G&A expenses in Q4 FY2014 included a reversal of a contingent consideration of $1.0 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, compared to $2.4 million in Q4 FY2013.

In accordance with IFRS, depreciation and amortization expenses of $0.3 million are included in G&A expenses for Q4 FY2014, compared to $0.7 million in Q4 FY2013. Adjusted G&A expenses, excluding the reversal of a contingent consideration, depreciation and amortization expenses, were $3.1 million (15.2% of revenue) in Q4 FY2014, compared to $4.0 million (18.7% of revenue) in Q4 FY2013.

The decrease in adjusted G&A expenses resulted from the proactive measures taken by the Company to reduce expenses in recognition of current market conditions. The Company recorded restructuring charges of $0.3 million consisting primarily of severance payments in Q4 FY2014.

EBITDA (see Reconciliation of non-IFRS measures)

EBITDA totalled $1.9 million (9.5% of revenue) in Q4 FY2014, compared to $3.1 million (14.7% of revenue) in the fourth quarter a year ago, a decrease of $1.2 million, or 39.1%.

Financial Expenses

Interest costs related to long-term debt and bank charges were $0.3 million in Q4 FY2014, compared to $0.4 million in Q4 FY2013.

Impairment of goodwill and intangible assets

No impairment was recorded in Q4 FY2014. 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 recovery

Income tax recovery was $0.6 million for Q4 FY2014, compared to $0.9 million in Q4 FY2013.

Net loss

The Company's net loss for Q4 FY2014 was $0.8 million ($0.02 per share), compared to $27.6 million ($0.83 per share) in Q4 FY2013. The Company recorded an impairment charge of $28.2 million related to a write-down of goodwill and intangible assets in Q4 FY2013. Reduced domestic and international revenue, and lower gross margins, as discussed above, contributed to the Company's net loss in Q4 FY2014.

EFFECT OF EXCHANGE RATE

Aside from the US 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 US dollars, which were partially offset by revenue of approximately $0.4 million earned in US dollars, related primarily to international drilling activities. As at June 30, 2014, the Company had US $0.7 million in cash (June 30, 2013, $1.1 million) and accounts receivable in US dollars of US$0.2 million (June 30, 2013, $0.5 million).

As at June 30, 2014, the Company estimated that a 10% increase or decrease of the U.S. exchange rate would have caused a negligible annual increase or decrease in net earnings and comprehensive earnings, in line with fiscal 2013.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Cash flow from operations, before non-cash operating working capital items, was $2.7 million in fiscal 2014, compared to $13.4 million in fiscal 2013.

The change in non-cash operating working capital items was an inflow of $4.4 million in fiscal 2014, compared to $10.6 million in fiscal 2013. The inflow in non-cash operating working capital in fiscal 2014 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 $2.9 million in fiscal 2014, compared to $9.3 million in fiscal 2013. During FY2014, $3.1 million was used for the acquisition of property, plant and equipment and $0.1 million for the payment for short term investments, partially offset by cash inflow of $0.4 million on disposition of property, plant and equipment. This compares with $9.3 million for the acquisition of property, plant and equipment, $0.4 million in payment of contingent consideration and cash inflow of $0.4 million on disposition of property, plant, equipment in fiscal 2013.

Financing Activities

During fiscal 2014, the Company repaid a net amount of $6.3 million on its $40.0 million revolving Credit Facility. In fiscal 2013, the repaid amount was $11.7 million. As at June 30, 2014, the Company's long-term debt, including the current portion, was $8.5 million, compared to $14.4 million as at June 30, 2013. The debt was used to support the acquisition of capital assets, including property, plant and equipment.

As at June 30, 2014, the Company's working capital was $37.1 million, compared to $51.2 million as at June 30, 2013. The decline in working capital resulted from the reclassification of the non-current portion of the loan within current liabilities for $8.5 million. 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 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 is 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 at June 30, 2014, the Company had drawn $8.5 million ($14.4 million as at June 30, 2013).

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 described in the Company's MD&A dated May 14, 2014, on May 5, 2014 the Credit Facility was amended to waive certain breaches of the Credit Facility by the Company, and, going forward, reduce the size of the Credit Facility to $30 million and revise certain of the financial covenants. The Company has subsequently determined that it was in breach of the fixed charge coverage ratio covenant under the Credit Facility as at June 30, 2014 due to the decline in the Company's EBITDA because of the difficult market conditions experienced during the fiscal year. On August 28, 2014, the Company entered into an amendment to the Credit Facility in order to exclude the balloon capital payment due under the Credit Facility at maturity from the calculation of the fixed charge coverage ratio. The Company would have satisfied the amended fixed charge coverage ratio as at June 30, 2014 and the amendment effectively waives the prior breach. The ongoing difficult market conditions facing the Company also mean that there is a risk that the Company will be in breach of additional financial covenants at September 30, 2014 (the end of the first quarter of fiscal 2015). The Company is currently discussing this issue with the lender under the Credit Facility with a view to further amending the Credit Agreement in order to adjust a number of other covenants to take into account the Company's current and expected financial position and the current market environment. The Company is also in discussions with alternate lenders with a view to replacing the Credit Facility on terms that would take into account such matters.

As at June 30, 2014, the Company had future contractual obligations as follows:

*($thousands)	Total	Less than 1 year	2-3 years	4-5 years
Long-term debt *	8,565	8,565	-	-
Operating leases *	1,370	438	562	370
Contingent consideration*	150	150	-	-
Total *	10,085	9,153	562	370

OUTSTANDING SECURITIES AS OF SEPTEMBER 22, 2014

Number of common shares	33,276,519
Number of options	3,739,000
Fully diluted	37,015,519

In fiscal 2014, the Company issued 682,500 options at an exercise price of $1.02 and 92,000 options were cancelled. At the beginning of the fiscal 2015, 24,500 options were cancelled.

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, 2014. The IFRS accounting policies set our below were consistently applied to all periods presented. Please refer to Notes 3 and 5 in the Company's consolidated financial statements for the year ended June 30, 2014 for a complete description of the Company's significant accounting policies.

The preparation of the consolidated 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 6 in the Company's consolidated financial statements for the year ended June 30, 2014.

These audited consolidated financial statements have been prepared on a historical cost basis, except for the contingent considerations and investments, 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 22, 2014.

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. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, independently of its percentage of participation. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when the Company controls another entity.

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 (loss).

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 (loss).

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 reporting 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 contract. 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.

Restructuring costs

A restructuring provision is recognized when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected, that it will carry out the restructuring by starting to implement the plan or announcing the main feature to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

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

Depreciation 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, 2014, 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 5 in the Company's consolidated financial statements. As at June 30, 2014, the Company has performed an impairment test of long-lived assets and concluded that was no impairment charge that has to be recognized (see Notes 12 and 14 in the Company's consolidated financial statements).

Potential 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 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, 2018, with early adoption permitted.

IFRS 15 – Revenue from Contracts with Customers
IFRS 15 specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 is effective from periods beginning January 1, 2017, with early adoption permitted.

IAS 32 - Financial Instruments - Presentation
IAS 32 is aamended to provide clarification on the application of rules to offset financial assettes and financial liabilities. The following notions are clarifided: legally enforceable right to offset, application of simultaneous realization or settlement, offsetting a guaranteed amount and the unit of accounting for application of the offsetting obligations. Amended IAS 32 is applicable for the periods beginning on, or after January 1, 2014, an must be applied retrospectively.

IAS 36 – Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
IAS 36 is amended to address the disclosure information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. Amended IAS 36 is applicable for the periods beginning on, or after January 1, 2014, with an earlier application permitted.

IFRIC 21 – Levies
IFRIC Interpretation 21 considers how an entity should account for levies imposed by governments, other than income taxes, in its financial statements. IFRIC Interpretation 21 is applicable for the periods beginning on, or after January 1, 2014, with an earlier application permitted.

The following amendments to the standards have been issued by the IASB and are applicable to the Company for its annual periods beginning on July 1, 2014 and thereafter, with an earlier application permitted:

Annual improvements to IFRS (2010-2012 Cycle), which include among others

Amendments to IFRS 2, Share-based Payments, relate to the definitions of «vesting condition» and «market condition» and add definitions for «performance condition» and «service condition».

Amendments to IFRS 3, Business Combinations, clarify that contingent consideration classified as an asset or a liability should be measured at fair value on each reporting date, irrespective of whether the contingent consideration is a financial instrument or a non-financial asset or liability.

Amendments to IFRS 8, Operating Segments, require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments and clarity that a reconciliation of the total of the reportable segments' assets and the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision maker.

Amendments to IFRS 13, Fair Value Measurement, clarify that the issuance of IFRS 13 did not remove the ability to measure current receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

Annual improvements to IFRS (2011-2013 Cycle), which include among others

Amendments to IFRS 3, Business Combinations, clarify that the scope of IFRS 3 does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

Amendments to IFRS 13, Fair Value Measurement, clarify that the scope of the portfolio exception for measuring the fair value of a group of financial liabilities on a net basis includes all contracts that are within the scope of IAS 39, Financial Instruments: Recognition and Measurement, even if those contracts do not meet the definition of financial assets or financial liabilities.

The Company is currently evaluating the impacts of adopting these standards on its financial statements.

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 to evaluate 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.

EBITDA: Earnings (loss) before interest, taxes, restructuring charges, 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)	3 months ended June 30, 2014	3months ended June 30, 2013	12 months ended June 30, 2014	12 months ended June 30, 2013
Net earnings (loss) for the period	**(0.8)**	(27.6)	**(6.3)**	(26.5)
Finance costs	**0.3**	0.4	**0.9**	1.3
Income tax expense (recovery)	**(0.6)**	(0.9)	**(2.5)**	(0.4)
Depreciation and amortization	**2.7**	3.0	**11.0**	12.8
Restructuring charges	**0.3**	Ø	**0.3**	Ø
Impairment of goodwill and intangible assets	**Ø**	28.2	**Ø**	28.2
EBITDA	**1.9**	3.1	**3.4**	15.4

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)	3 months ended June 30, 2014	3 months ended June 30, 2013	12 months ended June 30, 2014	12 months ended June 30, 2013
Contract revenue	**20.2**	21.4	**71.5**	104.2
Cost of contract revenue (including depreciation)	**18.4**	19.1	**67.8**	88.7
Less depreciation	**(2.4)**	(2.4)	**(9.5)**	(9.9)
Direct costs	**16.0**	16.7	**58.3**	78.8
Adjusted gross profit	**4.2**	4.7	**13.2**	25.4
Adjusted gross margin (%) (1)	**20.5**	21.9	**18.5**	24.4

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

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 22, 2014. 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.

Ongoing integration of business systems

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

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 Company has determined that it was in breach of certain financial covenants under its Senior Credit Facility at March 31, 2014, due to the decline in the Company's EBITDA because of the difficult market conditions experienced during the quarter. As a result, the non-current portion of the Credit Facility was required to be classified as a current liability as at March 31, 2014. Subsequent to quarter end, the Company entered into an amendment to the Credit Facility that waives these breaches and, going forward, reduces the size of the Credit Facility to $30 million and revises certain of the financial covenants. The revised financial covenants include the requirement to maintain a Senior Debt to EBITDA ratio of not more than 3.00 to 1.00 (up from 2.00 to 1.00) and a fixed charge coverage ratio that excludes, for the quarter ended March 31, 2014, the balloon capital payment due under the Credit Facility at maturity.

The Company has subsequently determined that it was in breach of the fixed charge coverage ratio covenant under the Credit Facility as at June 30, 2014 due to the decline in the Company's EBITDA because of the difficult market conditions experienced during the fiscal year. On August 28, 2014, the Company entered into an amendment to the Credit Facility in order to exclude the balloon capital payment due under the Credit Facility at maturity from the calculation of the fixed charge coverage ratio. The Company would have satisfied the amended fixed charge coverage ratio as at June 30, 2014 and the amendment effectively waives the prior breach. The ongoing difficult market conditions facing the Company also mean that there is a risk that the Company will be in breach of additional financial covenants at September 30, 2014 (the end of the first quarter of fiscal 2015). The Company is currently discussing this issue with the lender under the Credit Facility with a view to further amending the Credit Agreement in order to adjust a number of other covenants to take into account the Company's current and expected financial position and the current market environment. The Company is also in discussions with alternate lenders with a view to replacing the Credit Facility on terms that would take into account such matters.

While the Company believes that it will be successful in either negotiating appropriate amendments to the Credit Facility or securing alternative financing, there can be no assurance that this will be the case, or that the Company will be able to avoid further defaults under the Credit Agreement.

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

If the Company should grow, it could put 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 and have substantially greater financial and other resources than the Company has. 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 will 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 ability to grow 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: i) manage its expanding operations (including any acquisitions) effectively; ii sustain or accelerate its growth or that such growth, if achieved, will result in profitable operations; iii) attract and retain sufficient management personnel necessary for continued growth; or, iv) 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 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 $0.4 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 22, 2014, 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, 2014, the amount of the insurance coverage from EDC represents approximately 5% of the accounts receivable (35% in June 30, 2013). Due to the reduction of International drilling demands the Company did not meet the EDC requirements. Consequently, the insurance coverage ceased as of May 1, 2014. Considering the paid premiums and claims made over the past years, the Company has evaluated that this change will have little impact on its financial results.

As at June 30, 2014, 45% (37% as at June 30, 2013) of the trade accounts receivable are aged as current and 7% (7% as at June 30, 2013) of receivables are impaired.

One major customer represented 12% of the trade accounts receivable as at June 30, 2014 (June 30, 2013, one major customer represented 26% of these accounts).

Two major customers represented 30% of the contract revenue for the year June 30, 2014 (year ended June 30, 2013, one major customer represented 22%).

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, 2014, 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 ($0.1 million impact in 2013).

Equity market risk

Equity market risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors the general trends in the stock markets and individual equity movements, and determines the appropriate course of actions to be taken by the Company.

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 the investments is equal to their original costs.

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

Many exploration and mining companies continue to exercise restraint with their mineral exploration and development programs. Senior and intermediate mining companies scaled back their drilling programs in 2013 and this trend continued in 2014. At the same time, junior mining companies have significantly cut their exploration activities due to a lack of capital.. 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 impact the contract drilling industry and negatively affect Orbit Garant's 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 reserves and 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 near term, Management will continue to focus on maximizing stakeholder value principally by controlling costs, optimizing drill rig utilization, increasing productivity, preserving the Company's cash position and maintaining Orbit Garant's strong health and safety standards. Management believes the Company's computerized monitoring and control drilling technology will increasingly be an important contributor in achieving these goals by reducing both labour and consumable drilling costs, enhancing driller productivity rates and improving safety. In deployments on customer projects to date, Orbit Garant has achieved more that 25 percent greater productivity compared to conventional drilling. The Company currently has 20 drill rigs featuring its computerized monitoring and control technology and plans to add seven additional such rigs to its fleet in fiscal 2015. Our customers appreciate the improved performance and potential of our new drill rigs which has enabled us to renew underground drilling contracts for longer terms. The Company recently expanded its international business development activities with a new office in Chile and new personnel in West Africa, in order to be better positioned to seize international market opportunities and further strengthen customer relationships. Orbit Garant recently secured its first drilling contract in Chile, which is scheduled to commence in the Company's second quarter of fiscal 2015. Orbit Garant's capital expenditure for fiscal 2015 should be between $3.0 and $7.0 million, depending on market conditions as the year progresses, reflecting the Company's continued disciplined cost management in line with market conditions. The Companywill 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, 2014, 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, 2014.

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 2014, 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, 2014, 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.