MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR END AND FOURTH QUARTER
FISCAL 2016

September 15, 2016

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, 2016 ("Fiscal 2016"); 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, 2015 ("Fiscal 2015").

The Company's Fiscal 2016 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 15, 2016. 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 15, 2016, accessible via www.sedar.com.

FISCAL 2016 SUMMARY

- Revenue increased to $107.5 million in Fiscal 2016, up 36.2% from $79.0 million in Fiscal 2015
- Gross margin was 9.5% compared to 4.1% in Fiscal 2015
- Adjusted gross margin (excluding depreciation expense) was 18.1%, up from 15.2% in Fiscal 2015
- A one-time gain of $5.0 million related to negative goodwill was recognized in the fourth quarter of Fiscal 2016 related to the acquisition of Chile-based Captagua Ingeniería S.A ("Captagua")
- EBITDA was $11.1 million, up from $1.8 million in Fiscal 2015
- Adjusted EBITDA, excluding negative goodwill and acquisition and integration costs, increased to $6.9 million from $1.8 million in Fiscal 2015
- Net loss reduced to $0.2 million compared to a net loss of $7.4 million in Fiscal 2015
- Adjusted net loss, excluding negative goodwill and acquisition and integration costs, was approximately $4.7 million, compared to a net loss of $7.4 million in Fiscal 2015
- Metres drilled in Fiscal 2016 increased to 1,152,102, up 29.0% from 892,875 metres drilled in Fiscal 2015

In Fiscal 2016, Orbit Garant's drilling volumes increased to 1.2 million metres, up 29.0% compared to Fiscal 2015, marking the first fiscal year since Fiscal 2012 that Orbit Garant has exceeded one million metres drilled. The Company has now achieved eight consecutive quarters of year-over-year growth in domestic drilling revenue and six consecutive quarters of year-over-year growth in international drilling revenue. The Company is encouraged by this positive business momentum, following three challenging years where many senior and intermediate mining companies scaled back their drilling programs, and junior mining companies significantly reduced their exploration activities due to a lack of capital. These factors resulted in an oversupply of drilling services capacity in the market and pricing pressure from customers. Orbit Garant's recent growth in domestic drilling revenue primarily reflects increasing customer demand and drilling volumes, as pricing pressure continues to persist in Canada. The Company's recent growth in international revenue has resulted from its strategy to expand its international market penetration. The Company continues to carefully control costs, monitor its workforce and manage its capital expenditures in accordance with market conditions.

CORPORATE OVERVIEW

From its head office in Val-d'Or, Québec, Orbit Garant, with more than 900 employees and a fleet of 226 drill rigs, provides 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. The majority of Orbit Garant's business activity is currently conducted in Canada. The Company has worked on international projects in the United States, Mexico, Guyana, Chile, Kazakhstan and West Africa. In Fiscal 2015, Orbit Garant established new operating subsidiaries in Chile and Ghana. In Fiscal 2016 (May 2016), Orbit Garant established a new operating subsidiary in Peru and subsequent to year end, in August 2016, the Company established a new operating subsidiary in Guyana. This expansion is part of the Company's strategy to pursue more international business opportunities.

In the second quarter of Fiscal 2016, the Company expanded its business operations in Chile through the acquisition of all of the issued and outstanding shares of Santiago, Chile-based Captagua Ingeniería S.A. ("Captagua"), a company that specializes in surface drilling services to the Chilean mineral exploration and mining industry.

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. Soudure Royale 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 undertaken by smaller conventional drilling companies.

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

For Fiscal 2016:

- Specialized drilling services, which typically generate a higher gross margin than conventional drilling services, accounted for approximately 50% of the Company's total revenue, compared to 40% in Fiscal 2015.
- Approximately 74% of the Company's revenues were generated by gold related operations, and approximately 26% 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 revenue. Orbit Garant's manufacturing activities accounted for the remaining 2% of revenue.
- Approximately 79% of Orbit Garant's revenue was generated from major and intermediate mining company projects, compared to 80% in Fiscal 2015. Orbit Garant's drilling contracts with major and intermediate customers are typically from one to five years in length.

BUSINESS ACQUISITION

On December 30, 2015, Orbit Garant acquired all of the issued and outstanding shares of Captagua, a Chilean-based mineral drilling services company that provides surface drilling (diamond and reverse circulation drilling) and water drilling services to the Chilean mineral exploration and mining industry. The purchase price of $1.7 million, was satisfied by the issuance of 1,824,900 common shares of Orbit Garant. The transaction also included the assumption of Captagua's total debt of approximately $5.5 million.

The acquisition of Captagua enhances Orbit Garant's platform for future growth in Chile, a major mining jurisdiction, and throughout South America. Captagua has an experienced management team, highly skilled personnel and a strong reputation in the Chilean market. Captagua operates as a wholly owned subsidiary of Orbit Garant. The results of operations of Captagua for the six-month period ended June 30, 2016, are included in Orbit Garant's results of operations. On August 16, 2016, the name of Captagua was changed to Orbit Garant Chile S.A.

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 market 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 customized 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 health and safety standards in the workplace and promote protection of the environment;
- Establish and maintain long-term relationships with customers;
- Cross-sell drilling services to existing customers;
- Expand the Company's base of operations in strategic regions, such as the Company's recent acquisition of Captagua, based in Santiago, Chile;
- Maintain a sound balance sheet and a judicious deployment of capital; and
- Evaluate strategic acquisition opportunities to enhance value for the Company's stakeholders.

INDUSTRY OVERVIEW

Orbit Garant provides drilling services, in Canada and internationally, to the minerals industry through all stages of mine development, from exploration through production. Client mining companies consist of major (or senior), intermediate, and junior companies (which generally focus on exploration only). Mining companies' budgets for external drilling services, such as those offered by Orbit Garant, are typically determined by ferrous (iron) and non-ferrous (precious and base) metals prices, and the availability of capital to finance exploration (particularly in the case of juniors) and development programs, and/or ongoing mining operations.

Gold

Gold prices are determined by the balance between supply (primarily mine production) and the many sources of demand including global investment demand, global demand for gold jewelry, and to a much lesser extent, demand from industrial applications. Following a prolonged rally in the price of gold that started in 2001 and resulted in a peak price for gold of more than US$1,900 per ounce in September 2011, the price of gold entered a period of overall decline starting in January 2013, when it was at approximately US$1,700 per ounce. The spot price of gold reached a trailing five-year price low of approximately US$1,049 per ounce in December 2015. Gold prices have since risen sharply in 2016. At the time of this report, the spot price of gold was approximately US$1,315 per ounce, an increase of 25.4% from its trailing five-year price low in December 2015.

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 respective spot prices for aluminum, lead, nickel and zinc were higher than 12 months ago. The spot price for copper, the metal widely considered to be the most sensitive to macroeconomic activity, was approximately US$2.33 per pound a year ago and at the time of this report was approximately US$2.15 per pound. While the price of copper is currently lower than 12 months ago, it has increased 9.7% from a low of US$1.96 in January 2016. Despite recent gains, current spot prices for each of the primary base metals are at the lower 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 both the world's largest consumer and producer of steel, 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 fueling global steel consumption, and long-term demand is expected to continue to trend higher. 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. Since the beginning of 2014, the price of iron ore has dropped significantly. At the time of this report, the spot price of iron ore was approximately US$60 per tonne, a decrease of approximately 55% compared to the average price of US$135 per tonne in 2013.

Market Participants

There have been a number of positive developments in the mining sector in 2016, following three highly challenging years. A greater number of mining companies, including junior exploration and intermediate companies, have been able to raise capital in 2016, positioning them to commit more money to exploration and development programs. According to the TMX Group, for the six months ended June 30, 2016, there were a total of 738 financings in the mining sector completed on the TSX and TSX-Venture, up from 553 transactions in the same period of 2015, an increase of 33%. However, many mining companies are maintaining cautious capital spending budgets. There is currently an oversupply of mineral drilling services capacity in the market, as many mining companies delayed or scaled back their drilling programs in the preceding three years due to weak market conditions. As metal prices stabilize and capital market conditions continue to improve, management expects to see a reduction in excess drilling services capacity.

OVERALL PERFORMANCE

Results of operations for the year ended June 30, 2016

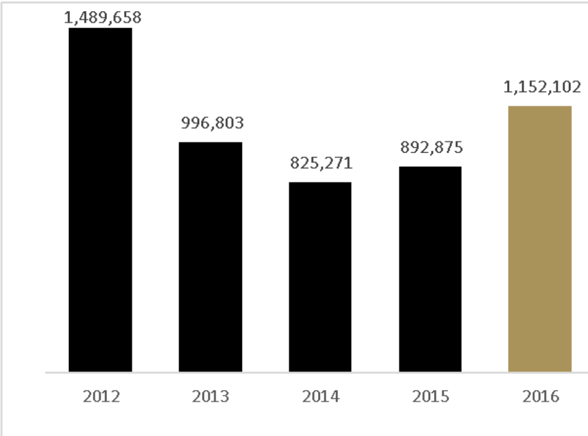
FISCAL YEAR ENDED JUNE 30 * ($millions)	Fiscal 2016	Fiscal 2015	2016 vs. 2015 Variation
Revenue *	**107.5**	79.0	**28.5**
Gross profit *	**10.2**	3.2	**7.0**
Gross margin (%)	**9.5**	4.1	**5.4**
Adjusted gross margin (%) (1)	**18.1**	15.2	**2.9**
Negative goodwill *	**5.0**	-	**5.0**
Net (loss) earnings *	**(0.2)**	(7.4)	**7.2**
Net (loss) earnings per common share - Basic ($)	**(0.01)**	(0.22)	**0.21**
- Diluted ($)	**(0.01)**	(0.22)	**0.21**
EBITDA * (2)	**11.1**	1.8	**9.3**
Metres drilled	**1,152,102**	892,875	**259,227**

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

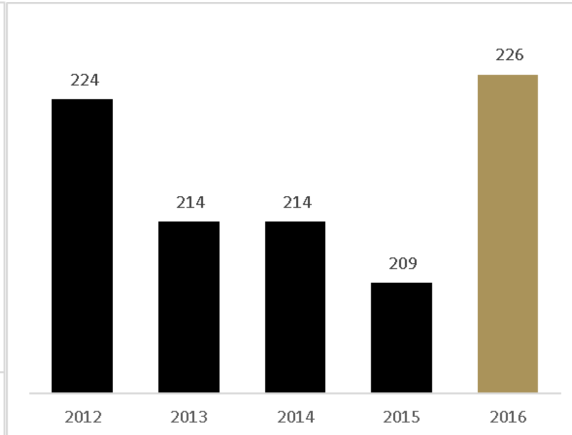
During Fiscal 2016, Orbit Garant drilled 1,152,102 metres, a 29.0% increase from 892,875 metres drilled in Fiscal 2015. The growth in metres drilled reflects an increase in demand from customers and the contribution of Captagua for the six months ended June 30, 2016. The Company's average revenue per metre drilled in Fiscal 2016 was $91.40, up 6.3% from $86.01 in Fiscal 2015. The increase in average revenue per metre drilled is attributable to an increase in international drilling activity, including a high proportion of specialized drilling activity in Chile and Kazakhstan.

The size of the Company's drill fleet was 226 drill rigs as at June 30, 2016, compared to 209 drill rigs at the end of Fiscal 2015. During Fiscal 2016, 17 drill rigs were added through the acquisition of Captagua and Soudure Royale manufactured four new computerized drill rigs, while three conventional drill rigs were dismantled and one was sold. The Company currently has 28 drill rigs outfitted with its computerized monitoring and control technology.

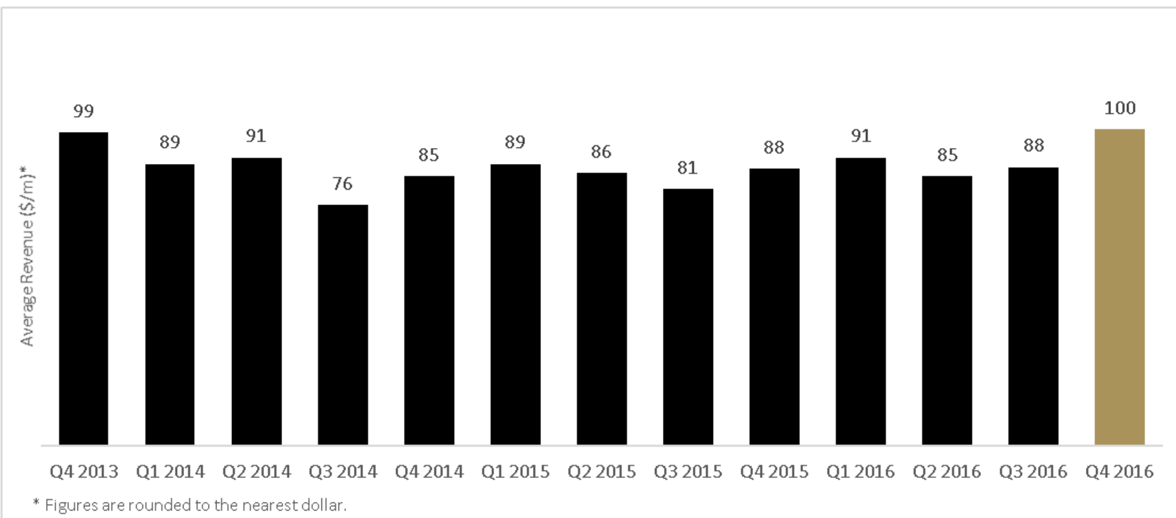
Metres Drilled



Number of Drills



Average Revenue per Metre Drilled



SELECTED ANNUAL FINANCIAL INFORMATION

For the year ended June 30 *($millions)	Fiscal 2016	Fiscal 2015	Fiscal 2014
Contract revenue			
Drilling Canada *	**92.4**	76.1	68.2
Drilling International *	**15.1**	2.9	3.3
Total *	**107.5**	79.0	71.5
Gross profit *	**10.2**	3.2	3.8
Gross margin (%)	**9.5**	4.1	5.2
Adjusted gross margin (%) (1)	**18.1**	15.2	18.5
Negative goodwill *	**5.0**	-	-
Net (loss) earnings *	**(0.2)**	(7.4)	(6.3)
Net (loss) earnings per common share ($)	**(0.01)**	(0.22)	(0.19)
Net (loss) earnings per common share diluted ($)	**(0.01)**	(0.22)	(0.19)
Total assets *	**105.2**	97.4	103.0
Long term debt including current portion *	**9.3**	7.4	8.5
EBITDA * (2)	**11.1**	1.8	3.4
EBITDA % (2)	**10.3**	2.2	4.8
Total metres drilled (million)	**1.2**	0.9	0.8

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

RESULTS OF OPERATIONS

FISCAL 2016 COMPARED TO FISCAL 2015

Contract Revenue

For Fiscal 2016, the Company's revenue totalled $107.5 million, compared to $79.0 million in Fiscal 2015, representing an increase of $28.5 million, or 36.2%. Revenue growth was primarily attributable to an increase in domestic and international metres drilled, including increased specialized drilling activity which is typically charged at a higher rate.

Domestic contract drilling revenue increased to $92.4 million in Fiscal 2016, compared to $76.1 million in Fiscal 2015, an increase of $16.3 million, or 21.5%, reflecting increased demand.

International contract drilling revenue was $15.1 million in Fiscal 2016, compared to $2.9 million in Fiscal 2015, an increase of $12.2 million. International revenue growth was primarily attributable to an increase in specialized drilling activity due to the acquisition of Captagua in the second quarter of Fiscal 2016 ("Q2 FY2016") and the Company's drilling projects in Kazakhstan and Ghana.

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

Gross profit for Fiscal 2016 was $10.2 million, compared to $3.2 million in Fiscal 2015. Gross margin for Fiscal 2016 was 9.5% compared to 4.1% in Fiscal 2015. In accordance with IFRS, depreciation expenses totalling $9.3 million are included in cost of contract revenue for Fiscal 2016, compared to $8.8 million for Fiscal 2015. Adjusted gross margin, excluding depreciation expenses, was 18.1% in Fiscal 2016, compared to 15.2% in Fiscal 2015. The increase in gross profit, gross margin and adjusted gross margin was primarily attributable to increased metres drilled in Canada and internationally, and increased international specialized drilling activity, which typically generates higher margins than conventional drilling activity.

General and Administrative Expenses

General and administrative (G&A) expenses were $14.3 million for Fiscal 2016, compared to $12.0 million in Fiscal 2015. G&A expenses represented 13.3% of revenue during Fiscal 2016, compared to 15.2% in Fiscal 2015. In Fiscal 2016, a total of $0.8 million of acquisition and integration costs related to the Captagua acquisition were incurred. In Fiscal 2015, the Company recorded a one-time gain of $0.2 million associated with the reversal of a portion of a contingent earn-out consideration related to the Company's acquisition of Lantech Drilling Services Inc. in December 2011.

In accordance with IFRS, depreciation and amortization expenses of $1.5 million are included in G&A expenses for Fiscal 2016, compared to $1.6 million for Fiscal 2015. Adjusted G&A expenses, excluding depreciation and amortization expenses, and acquisition and integration costs related to the Captagua acquisition, totalled $12.0 million (11.2% of revenue) for Fiscal 2016, compared to adjusted G&A expenses, excluding depreciation and amortization expenses and the reversal of a portion of contingent earn-out consideration, of $10.5 million (13.4% of revenue) for Fiscal 2015.

The Company continues to maintain discipline in managing its expenses in accordance with market conditions.

Operating Results

Loss from operations was $0.2 million for Fiscal 2016, compared to a loss from operations of $5.9 million in Fiscal 2015. The positive variance is primarily attributable to the increase in metres drilled in Canada and internationally, and an increase in higher margin, international specialized drilling activity.

Drilling Canada's operating earnings totalled $4.5 million, an increase of $4.8 million from an operating loss of $0.3 million in Fiscal 2015, primarily attributable to increased metres drilled.

Drilling International's operating loss totalled $4.7 million, compared to an operating loss of $5.6 million in Fiscal 2015. This positive variance is primarily attributable to increased metres drilled and increased specialized drilling activity, partially offset by additional costs related to starting new international drilling projects and investments in business development activities.

Negative Goodwill

The Company recognized a one-time $5.0 million gain in the fourth quarter of fiscal 2016, resulting from negative goodwill associated with the acquisition of Captagua in December 2015. The negative goodwill resulted from the excess of the fair value of the acquired assets over the aggregate of the liabilities assumed and consideration paid.

Foreign Exchange (Gain) Loss

Foreign exchange loss was $0.6 million in Fiscal 2016, compared to a gain of $0.1 million in Fiscal 2015. The unfavorable variance primarily relates to the current conversion rates of the Canadian dollar against the US dollar.

EBITDA (see Reconciliation of non-IFRS measures)

Earnings before interest, taxes, depreciation and amortization ("EBITDA") totalled $11.1 million in Fiscal 2016, compared to $1.8 million in Fiscal 2015, an increase of $9.3 million. EBITDA represented 10.3% of sales in Fiscal 2016, compared to 2.2% of sales in Fiscal 2015.

Excluding the one-time $5.0 million gain associated with negative goodwill, and acquisition and integration costs of $0.8 million, Fiscal 2016 adjusted EBITDA increased to $6.9 million, an increase of $5.1 million compared to EBITDA of $1.8 million in Fiscal 2015.

Financial Expenses

Interest costs related to long-term debt and bank charges for Fiscal 2016 were $0.7 million, compared to $0.6 million in Fiscal 2015.

Income Tax Recovery

Income tax recovery was $0.2 million in Fiscal 2016, compared to $1.9 million in Fiscal 2015.

Net Loss

Net loss in Fiscal 2016 totalled $0.2 million, or $0.01 per share, compared to $7.4 million, or $0.22 per share, in Fiscal 2015. The Company's net loss for Fiscal 2016 reflects a $5.0 million one-time gain related to negative goodwill and $0.8 million of acquisition and integration costs. Excluding these items, net loss for Fiscal 2016 would have been approximately $4.7 million, or $0.13 per share, a positive variance of $2.7 million, compared to a net loss of $7.4 million in Fiscal 2015. The decreased net loss is primarily attributable to the increase in metres drilled in Canada and internationally and higher gross margin, partially offset by higher G&A expenses as the Company incurred additional administrative costs in support of business development initiatives, a foreign exchange loss, and expenses related to the acquisition of Captagua.

SUMMARY ANALYSIS OF FISCAL 2015 COMPARED TO FISCAL 2014

Revenue for Fiscal 2015 was $79.0 million compared to $71.5 million for the fiscal year ended June 30, 2014 ("Fiscal 2014"), representing an increase of $7.5 million, or 10.4%.

Gross profit for Fiscal 2015 was $3.2 million, compared to $3.8 million in Fiscal 2014. Gross margin for Fiscal 2015 decreased to 4.1% from 5.2% in Fiscal 2014. Adjusted gross margin, excluding depreciation expenses, decreased to 15.2% in Fiscal 2015, compared to 18.5% in Fiscal 2014. The decrease in gross profit, gross margin and adjusted gross margin was primarily attributable to lower average revenue per metre drilled, decreased metres drilled and a decline in specialized drilling activity.

Net loss for Fiscal 2015 totalled $7.4 million ($0.22 per share), compared to $6.3 million ($0.19 per share) in Fiscal 2014.

OVERALL PERFORMANCE

SUMMARY OF QUARTERLY RESULTS

* ($millions)		Fiscal 2016				Fiscal 2015			
		June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30
Contract revenue *		**33.4**	28.1	21.7	24.3	**22.8**	18.7	16.8	20.7
Gross profit *		**4.3**	1.3	1.3	3.3	**1.6**	0.0	(0.4)	2.0
Gross margin %		**12.8**	4.7	5.7	13.7	**7.1**	0.2	(2.4)	9.5
Adjusted Gross Margin % (1)		**19.7**	14.9	15.5	22.2	**16.4**	11.8	10.9	20.6
Net earnings (loss) *		**4.4**	(2.6)	(1.8)	(0.2)	**(2.0)**	(2.0)	(2.8)	(0.6)
Net earnings (loss) per common share ($)	- Basic	**0.12**	(0.07)	(0.05)	(0.01)	**(0.06)**	(0.06)	(0.08)	(0.02)
	- Diluted	**0.12**	(0.07)	(0.05)	(0.01)	**(0.06)**	(0.06)	(0.08)	(0.02)

(1) Reflects gross margin, excluding depreciation expenses. See "Reconciliation of non-IFRS financial measures"

SEASONALITY

The Company's revenue reflects certain seasonal factors. In underground drilling operations, scheduled mine shutdowns over holiday and summer periods at some locations reduce revenue during these periods. In domestic and international surface drilling operations, weather conditions in the spring and fall seasons often cause drilling programs to pause, or to be planned around seasonal fluctuations.

ANALYSIS OF THE FOURTH QUARTER OF FISCAL 2016 COMPARED TO THE FOURTH QUARTER OF FISCAL 2015

Contract Revenue

Revenue for the three-month period ended June 30, 2016 ("Q4 FY2016") totalled $33.4 million, an increase of $10.6 million, or 46.8%, from $22.8 million for the quarter ended June 30, 2015 ("Q4 FY2015"). Revenue growth was primarily attributable to an increase in metres drilled in Canada and internationally, including increased specialized drilling activity which is typically charged at a higher rate.

Domestic contract drilling revenue was $27.1 million in Q4 FY2016, compared to $21.6 million in Q4 FY2015, representing an increase of $5.5 million, or 25.3%. The increase was primarily attributable to a higher number of metres drilled.

International contract drilling revenue was $6.3 million in Q4 FY2016, compared to $1.2 million in Q4 FY2015, representing an increase of $5.1 million. International revenue growth was primarily attributable to increased specialized drilling activity in Chile due to the acquisition of Captagua and to a lesser extent, new project revenues in Kazakhstan and Ghana.

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

Gross profit for Q4 FY2016 increased to $4.3 million, compared to $1.6 million in Q4 FY2015. Gross margin for Q4 FY2016 increased to 12.8% from 7.1% in Q4 FY2015. In accordance with IFRS, depreciation expenses totalling $2.3 million are included in cost of contract revenue for Q4 FY2016, compared to $2.1 million in Q4 FY2015. Adjusted gross margin, excluding depreciation expenses, was 19.7% in Q4 FY2016, compared to 16.4% in Q4 FY2015. The increase in gross profit, gross margin and adjusted gross margin was primarily attributable to the increased metres drilled in Canada and internationally, and increased higher margin, international specialized drilling activity.

General and Administrative Expenses

General and administrative (G&A) expenses were $3.7 million (representing 11.1% of revenue) in Q4 FY2016, compared to $3.7 million (representing 16.0% of revenue) in Q4 FY2015.

In accordance with IFRS, depreciation and amortization expenses of $0.3 million are included in G&A expenses for Q4 FY2016, compared to $0.4 million in Q4 FY2015. Adjusted G&A expenses, excluding depreciation and amortization expenses, and $0.1 million in acquisition and integration costs related to Captagua, totalled $3.3 million (representing 9.7% of revenue) in Q4 FY2016. Adjusted G&A expenses, excluding amortization and depreciation expenses, totalled $3.2 million (representing 14.2% of revenue) in Q4 FY2015.

The Company continues to maintain discipline in managing its expenses in line with market conditions.

Operating Results

Earnings from operations for Q4 FY2016 was $1.4 million, compared to a loss from operations of $1.4 million in Q4 FY2015. This positive variation of $2.8 million was primarily attributable to the increase in metres drilled in Canada and internationally, and an increase in higher margin, international specialized drilling activity.

Drilling Canada's operating earnings totalled $2.2 million, an improvement of $1.7 million, from operating earnings of $0.5 million in Q4 FY2015. The increase of operating earnings was primarily attributable to the increase in metres drilled.

Drilling International's operating loss totalled $0.8 million, compared to an operating loss of $1.9 million in Q4 FY2015. The improvement was primarily attributable to increased specialized drilling activity in Chile and Kazakhstan.

Negative Goodwill

The Company recognized a one-time $5.0 million gain in Q4 FY2016, resulting from negative goodwill associated with the acquisition of Captagua in December 2015.

Foreign Exchange (Gain) Loss

Foreign exchange loss was $0.3 million in Q4 FY2016, compared to a loss of $0.2 million in Q4 FY2015. The unfavourable variance primarily relates to the strength of the Canadian dollar against the US dollar.

EBITDA (see Reconciliation of non-IFRS measures)

EBITDA was $7.9 million in Q4 FY2016, compared to $0.3 million in Q4 FY2015.

Adjusted EBITDA, excluding the $5.0 million gain related to negative goodwill and $0.1 million in acquisition and integration costs, was $3.0 million in Q4 FY2016, compared to $0.3 million in Q4 FY2015.

Financial Expenses

Interest costs related to long-term debt and bank charges were $0.3 million in Q4 FY2016, compared to $0.2 million in Q4 FY2015.

Income Tax (Recovery)

Income tax payable was $0.6 million for Q4 FY2016, compared to income tax recovery of $0.5 million in Q4 FY2015.

Net Earnings (Loss)

The Company's net earnings for Q4 FY2016 were $4.4 million, or $0.12 per share, compared to a net loss of $2.0 million, or $0.06 per share, in Q4 FY2015. The Company's net earnings for Q4 FY2016 include a $5.0 million one-time gain related to negative goodwill and $0.1 million of acquisition and integration costs. Excluding these items, net loss for Q4 FY2016 would have been approximately $0.5 million, or $0.02 per share, a positive variance of $1.5 million, compared to a net loss of $2.0 million in Q4 FY2015. The decreased net loss is primarily attributable to the increase in metres drilled in Canada and internationally and higher gross margins, partially offset by a foreign exchange loss, and expenses related to the acquisition of Captagua.

EFFECT OF EXCHANGE RATE

Aside from the US dollars and Chilean Pesos 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 and Chilean Pesos, which were partially offset by revenue of approximately $2.4 million earned in US dollars and $ 6.8 million in Chilean Pesos, related primarily to international drilling activities. As at June 30, 2016, the Company had US $1.5 million in cash (June 30, 2015, $0.2 million) and accounts receivable of US $0.6 million (June 30, 2015, $0.3 million). The Company has cash in Chilean Pesos for an amount of 292,449,849 (June 30, 2015, 43,635,125) and accounts receivable in Chilean Pesos for an amount of 1,076,241,833 (June 30, 2015, 244,153,954).

As at June 30, 2016, the Company estimated that a 10% increase or decrease of the US dollars and Chilean Pesos exchange rates would have caused an annual increase or decrease of approximately $0.2 million in net earnings and comprehensive earnings (June 30, 2015, negligible).

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Cash flow from operations, before non-cash operating working capital items, was $5.8 million in Fiscal 2016, compared to $2.2 million in Fiscal 2015.

The change in non-cash operating working capital items was an inflow of $4.7 million in Fiscal 2016, compared to $1.7 million in Fiscal 2015. The change in non-cash operating working capital in Fiscal 2016 was primarily impacted by:

- $4.1 million related to a decrease in accounts receivable and prepaid expenses
- $0.4 million related to a decrease in inventory, and
- $0.2 million related to an increase in accounts payable.

Investing Activities

Cash used in investing activities totalled $6.2 million in Fiscal 2016, compared to $3.8 million in Fiscal 2015. During Fiscal 2016, $6.6 million was used for the acquisition of property, plant and equipment, partially offset by a cash inflow of $0.6 million on disposal of investments, property, plant and equipment. In Fiscal 2015, $4.0 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 $0.3 million on disposition of property, plant and equipment.

During Fiscal 2016, $0.3 million was used for the acquisition of Captagua.

Financing Activities

During Fiscal 2016, the Company repaid a net amount of $0.4 million on its $25.0 million revolving Credit Facility. In Fiscal 2015, the Company repaid a net amount of $1.0 million. As at June 30, 2016, the Company's long-term debt from its revolving credit facility was $7.4 million, the same as at June 30, 2015. The Company's debt was incurred to support the acquisition of capital assets, including property, plant and equipment and the business acquisition of Captagua.

Through the acquisition of Captagua, the Company assumed $2.2 million of financial leases from which $0.9 million was in current portion, maturing August 2018.

The Company's Chilean subsidiary enters into receivable purchase agreements (commonly referred to as "factoring agreements") with different banks as part of its normal working capital financing. The Company receives 100% of the value of the specific sales invoice less a charge of between 0.46% and 0.52%. As at June 30, 2016, trade receivables include $1,395 related to factored accounts ($nil as at June 30, 2015).

As at June 30, 2016, the Company's working capital was $42.9 million, compared to $43.5 million as at June 30, 2015. The Company's working capital requirements are primarily for funding inventory acquisition and financing 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

Orbit Garant'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"). On December 19, 2014, Orbit Garant obtained a new $25.0 million secured, three-year revolving credit facility (the "Credit Facility") with National Bank (the "Lender").

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 December 19, 2017. As at June 30, 2016, the Company had drawn $7.4 million ($7.4 million as at June 30, 2015).

Availability under the Credit Agreement is subject to a borrowing base that is determined by the value of the Company's inventory, accounts receivable and real estate. All of Orbit Garant's assets are pledged as security for the Company's obligations under the Credit Agreement.

The Credit Agreement contains covenants that limit the Company's ability to undertake certain actions, without prior approval of the Lender, including: i) mergers, liquidations, dissolutions and changes of ownership; ii) the incurrence of additional indebtedness; iii) encumbering the Company's assets; iv) guarantees, loans, investments and acquisitions that may be made by the Company; v) investing in or entering into derivative instruments, paying dividends and/or making other capital distributions to related parties; vi) capital expenditures exceeding mutually agreed upon limits; and vii) certain asset sales. The Credit Agreement also contains a number of financial covenants that the Company must comply with if more than $12.5 million is drawn from the Credit Facility.

As at June 30, 2016, the Company complied with all covenants in the Credit Agreement.

As at June 30, 2016, the Company had future contractual obligations as follows:

*($thousands)	Total	Less than 1 year	2-3 years	4-5 years
Long-term debt *	7,500	-	7,500	-
Operating leases *	1,933	889	1,044	-
Total *	9,433	889	8,544	-

OUTSTANDING SECURITIES AS AT SEPTEMBER 15, 2016

Number of common shares	35,101,419
Number of options	2,877,500
Fully diluted	37,978,919

On December 30, 2015, 1,824,900 shares were issued as partial consideration for the acquisition of Captagua. In Fiscal 2016, the Company issued 732,000 options at an exercise price of $0.70 and 81,000 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, 2016. The IFRS accounting policies set our below were consistently applied to all periods presented. Please refer to Notes 3 and 4 in the Company's consolidated financial statements for the year ended June 30, 2016 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 5 in the Company's consolidated financial statements for Fiscal 2016.

These audited consolidated financial statements have been prepared on a historical cost basis, except for the 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 operates ("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 15, 2016.

Principles of Consolidation

The Company's audited consolidated financial statements incorporate financial statements of the Company 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 loss from the effective date of acquisition to the effective date of disposal, as appropriate. Intercompany transactions and balances are eliminated on consolidation.

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.

Business combinations

On initial recognition, the assets and liabilities of the acquired business are included in the consolidated statement of financial position 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.

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 certain long-lived assets to criteria defined in Note 5 in the Company's consolidated financial statements. As at June 30, 2016, the Company concluded that there was no impairment indicators and did not perform an impairment test (see Notes 10 and 11 in the Company's consolidated financial statements).

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.

RECENT ACCOUNTING PRONOUNCEMENTS

The Company has not early adopted the following new standards that have been issued, but are not yet effective:

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 years 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 years beginning January 1, 2018, with early adoption permitted.

IAS 16 – Property, Plant and Equipment
IAS 16 prohibits entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 16 are effective from years beginning January 1, 2016, with early adoption permitted.

IAS 38 – Intangible Assets
IAS 38 introduces a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset, except in two limited circumstances. The amendments to IAS 38 are effective from years beginning January 1, 2016, with early adoption permitted.

IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures
The amendment entitled *"Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"* specifies the treatment to be adopted when an entity sells or contributes assets that constitute a business to a joint venture or an associate or loses control of a subsidiary that contains a business but it retains joint control or significant influence, the gain or loss resulting from that transaction is recognized in full. When an entity sells or contributes assets that do not constitute a business to a joint venture or associate or loses control of a subsidiary that does not contain a business but it retains joint control or significant influence in a transaction involving an associate or a joint venture, the gain or loss resulting from that transaction is recognized only to the extent of the unrelated investors' interest in the joint venture or associate, the entity's share of the gain or loss is eliminated. The amendments to IFRS 10 are effective from years beginning January 1, 2016, with early adoption permitted.

IAS 1 – Presentation of Financial Statements
The amendment entitled *«Disclosure Initiative»* comprises several narrow-scope amendments to improve presentation and disclosure requirements in existing standards. The amendments to IAS 1 are effective from years beginning January 1, 2016, with early adoption permitted.

IAS 7 – Statements of Cash Flows
The amendment entitled *"Disclosure initiative - Reconciliation of liabilities from financing activities"* comprises amendments to provide investors with improved disclosures about an entity's debt and movements in debt during the reporting period and its liquidity. The amendments to IAS 7 are effective from years beginning January 1, 2017 without need to provide comparative information when they first apply the amendments, with early adoption permitted.

IAS 12 – Income Taxes
The amendment entitled *"Recognition of Deferred Tax Assets for Unrealized Losses"* comprises amendments to give guidance that clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments to IAS 12 are effective from years beginning January 1, 2017, with early adoption permitted.

IFRS 16 – Leases
IFRS 16 specifies the new approach to lease accounting that requires a lessee to recognize assets and liabilities for the rights and obligations created by leases. IFRS 16 is effective from years beginning January 1, 2019, with early adoption permitted if IFRS 15, *Revenue from Contracts with Customers*, is applied.

The following amendments to the standards have been issued by the IASB and are applicable to the Company for its years beginning on July 1, 2016 and thereafter, with an earlier application permitted:

Annual improvements to IFRS (2012-2014 Cycle), which include among others:

Amendments to IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*, introduce guidance for when an entity reclassifies an asset (or disposal group) from held-for-sale to held-for-distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued.

Amendments to IFRS 7, *Financial Instruments: Disclosure*, provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets, and guidance as to whether the disclosure requirements on offsetting financial assets and financial liabilities should be included in consolidated financial statements.

The adoption of the above standards is not expected to have a significant impact on the Company's consolidated 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, depreciation and amortization.
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, 2016	3 months ended June 30, 2015	12 months ended June 30, 2016	12 months ended June 30, 2015
Net earnings (loss) for the period	**4.4**	(2.0)	**(0.2)**	(7.4)
Add:				
Finance costs	**0.3**	0.2	**0.7**	0.6
Income tax expense (recovery)	**0.6**	(0.5)	**(0.2)**	(1.9)
Depreciation and amortization	**2.6**	2.6	**10.8**	10.5
EBITDA	**7.9**	0.3	**11.1**	1.8
Remove:				
Acquisition and integration costs	**(0.1)**	-	**(0.8)**	-
Negative goodwill	**5.0**	-	**5.0**	-
Adjusted EBITDA	**3.0**	0.3	**6.9**	1.8

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, 2016	3 months ended June 30, 2015	12 months ended June 30, 2016	12 months ended June 30, 2015
Contract revenue	**33.4**	22.8	**107.5**	79.0
Cost of contract revenue (including depreciation)	**29.1**	21.2	**97.3**	75.8
Less depreciation	**(2.3)**	(2.1)	**(9.3)**	(8.8)
Direct costs	**26.8**	19.1	**88.0**	67.0
Adjusted gross profit	**6.6**	3.7	**19.5**	12.0
Adjusted gross margin (%) (1)	**19.7**	16.4	**18.1**	15.2

(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 15, 2016. These risks and uncertainties are not the only ones relevant to the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems immaterial, may also impair the operations of the Company. If any such risks actually occur, the business, financial condition, liquidity and results of operations of the Company, could be affected materially and adversely.

Risk Related to Structure to the Business and Industry

Cyclical Downturns

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

Sensitivity to General Economic Conditions

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

Reliance on and Retention of Employees

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

Increased Cost of Sourcing Consumables

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

Leverage and Restrictive Covenants

Orbit Garant entered into the Credit Agreement 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: i) Orbit Garant's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; ii) 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 iii) certain of Orbit Garant's borrowings (including borrowings under the Credit Agreement) will be at variable rates of interests, which exposes Orbit Garant to the risk of increased interest rates which may have an adverse effect on Orbit Garant's financial condition.

The Credit Agreement contains numerous restrictive covenants that limit the discretion of Orbit Garant's Management with respect to certain business matters. These covenants place significant restrictions on, among other things, changes in ownership and the ability of Orbit Garant to create liens or other encumbrances, to pay dividends or make certain other payments, investments, acquisitions, capital expenditures, loans and guarantees and to sell or otherwise dispose of assets and merge with another entity. In addition, the Credit Agreement contains financial covenants that require Orbit Garant to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in the Credit Agreement could result in a default that, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the Credit Agreement were to be accelerated, there can be no assurance that the assets of Orbit Garant would be sufficient to repay in full that indebtedness. In addition, the Credit Agreement will mature no later than December 17, 2019. There can be no assurance that future borrowings or equity financing will be available to Orbit Garant, or available on acceptable terms, in an amount sufficient to repay the Credit Agreement at maturity or to fund Orbit Garant's needs thereafter. This could have a material adverse effect on the business, financial condition and results of operations of Orbit Garant.

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 its ability to manufacture or otherwise obtain new drills and consumables required to conduct the Company's drilling operations. This could 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 and 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

Orbit Garant conducts some of its activities in US dollars and in Chilean Pesos and is thus exposed to foreign exchange fluctuations. As at June 30, 2016, we had US dollar and Chilean Pesos revenue exposures of approximately $2.4 and $6.8 million respectively. This exposure could change in the future and a significant portion of our revenue could potentially be denominated in currencies other than the Canadian dollar, fluctuations of which could cause a negative impact on our financial 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 15, 2016, Pierre Alexandre, Vice Chairman and Vice President of Corporate Development of the Company, holds or controls, directly or indirectly, approximately 27% 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 creditworthy 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, 2016, the amount of the insurance coverage from EDC represents 7% of the accounts receivable (nil% as at June 30, 2015).

As at June 30, 2016, 53% (42% as at June 30, 2015) of the trade accounts receivable are aged as current and 5% are impaired (5% as at June 30, 2015).

One major customer represents 10% of the trade accounts receivable as at June 30, 2016 (June 30, 2015, one major customer represents 25% of these accounts).

Two major customers represent 39% of the contract revenue for the year ended June 30, 2016 (year ended June 30, 2015, one major customer represents 21%).

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, 2016, the Company has estimated that a one percentage point increase or decrease in interest rates would have caused a corresponding annual increase or decrease in net loss of $0.1 million ($0.1 million impact in 2015).

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, and factoring liabilities is approximately equal to their carrying values due to their short-term maturity.

The fair value of long-term debt approximates its carrying value as it bears interest at a variable rate and has financing conditions similar to those currently available to the Company.

OUTLOOK

Following three years of difficult market conditions, there have been a number of positive developments in the mining sector in 2016. Metal prices have improved and the equity valuations of mining companies have moved materially higher. A greater number of mining companies, including junior exploration and intermediate companies, have been able to raise capital in 2016, positioning them to increase their exploration and development programs. According to the TMX Group, for the six months ended June 30, 2016, there have been a total of 738 financings in the mining sector completed on the TSX and TSX-Venture, up from 553 transactions in the same period of 2015, an increase of 33%.

There is currently an oversupply of drilling services capacity in the market, due to the difficult market conditions that persisted in the mining sector between 2013 and 2015. Additionally, many mining companies still have a cautious outlook and are maintaining conservative budgets for 2016. However, management is encouraged by the recent positive developments in the mining industry and believe that these could have a positive impact on operations in the months ahead as senior and intermediate mining companies look to replenish depleting reserves and junior exploration companies strive to identify or further delineate new mineral deposits. An additional positive factor for mining companies operating in Canada is the current lower value of the Canadian dollar relative to the US dollar, as their expenses are typically in Canadian dollars and their revenues are denominated in US dollars. At the time of this report, the value of the Canadian dollar was approximately 0.76 US dollars.

Management believes the long-term outlook for the mining industry is positive and is encouraged by the Company's recent increase in business activity in Canada and internationally. Global demand for ferrous and non-ferrous metals, combined with depleting reserves, will eventually lead to increasing exploration and development activities by mining companies. Management remains focused on maximizing stakeholder value principally by controlling costs, optimizing drill rig utilization, increasing productivity rates, continuing to focus on technology innovation, retaining key personnel, maintaining strong health and safety standards, and evaluating opportunities to expand Orbit Garant's market presence both in Canada and abroad.

Management believes the Company's proprietary computerized monitoring and control drilling technology will increasingly be an important contributor in reducing both labour and consumable drilling costs, enhancing driller productivity rates and improving safety. Orbit Garant currently has 28 drill rigs featuring its computerized monitoring and control technology, all of which are currently deployed on customer projects. To date, these next generation drill rigs have achieved a significant increase in productivity compared to that achieved using conventional drill rigs. Orbit Garant's customers have responded positively to the improved performance and potential of the new drill rigs, which has led to renewals of underground drilling contracts for longer terms.

Orbit Garant's growth strategy is currently focused on capturing increased market share in Canada and expanding its international market presence. Orbit Garant's eight consecutive quarters of year-over-year growth in domestic drilling revenue reflects the Company's recent success in securing new contracts and extending existing contracts in Canada. In terms of international market penetration, Orbit Garant established new operating subsidiaries in Chile, Ghana, and a new branch office in Kazakhstan during fiscal 2015. In Fiscal 2016 (May 2016), Orbit Garant established a new operating subsidiary in Peru and subsequent to year end, in August 2016, the Company established a new operating subsidiary in Guyana. The Company's acquisition of Captagua in Chile, has significantly enhanced the Company's platform for growth in Chile and throughout South America. Orbit Garant is currently working on projects in Chile and is actively pursuing new opportunities to grow its South American business. The Company commenced a drilling contract in Ghana during Q3 FY2016, and also commenced work on its first drilling contract in Kazakhstan.

Orbit Garant will continue to monitor market conditions closely and manage its staff and inventory levels, capital expenditures and balance sheet accordingly. With its sound balance sheet, the Company remains committed to pursuing value enhancing growth opportunities in Canada and internationally.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Effective December 30, 2015, the Company completed the acquisition of Captagua. The results of Captagua's operations have been included in these financial statements since the date of acquisition. However, the Company has not completed the review of the internal controls used by Captagua. The Company is in the process of integrating the Captagua's operations and will be expanding its disclosure controls and procedures and internal controls over its financial reporting compliance program to include Captagua within twelve months from the acquisition date. As a result, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have limited the scope of design of disclosure controls and procedures and testing of internal controls over financial reporting to exclude Captagua controls, policies and procedures from the June 30, 2016 certification of internal controls. The acquisition date financial information for Captagua is included in the discussion regarding the acquisition contained in the MD&A and Note 2 of the consolidated financial statements.

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, 2016, 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, 2015.

The CEO and the 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 2016, 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, 2016, an evaluation was carried out, under the supervision of the CEO and CFO, of the effectiveness of the Company's ICFR as defined in NI 52-109. Based on this evaluation, other than restrictions mentioned above, the CEO and the CFO concluded that the design and operation of these ICFR were effective.

The evaluations were conducted in accordance with the framework and criteria established in Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), a recognized control model, and the requirements of NI 52-109.