Court File No: M/M/114-12

IN THE COURT OF QUEEN'S BENCH OF NEW BRUNSWICK

TRIAL DIVISION

JUDICIAL DISTRICT OF MONCTON

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF LANDDRILL INTERNATIONAL INC. (A BRITISH COLUMBIA CORPORATION), LANDDRILL INTERNATIONAL LTD. (A NEW BRUNSWICK CORPORATION), LANDDRILL ATLANTIC LTD. (A NEW BRUNSWICK CORPORATION), LANDDRILL CONTRACT MINING LTD. (A NEW BRUNSWICK CORPORATION), LANDDRILL INTERNATIONAL MEXICO S.A. DE C.V. (A MEXICAN CORPORATION), LANDDRILL INTERNATIONAL LLC (A MONGOLIAN CORPORATION) and LANDDRILL INTERNATIONAL INC. (A BARBADOS CORPORATION)

SECOND REPORT OF THE MONITOR

October 22, 2012

INTRODUCTION

1. On August 31, 2012 Landdrill International Inc. ("**Landdrill Inc.**"), a British Columbia corporation, Landdrill International Ltd. ("**Landdrill Ltd**"), a New Brunswick corporation, Landdrill Atlantic Ltd., a New Brunswick corporation, Landdrill Contract Mining Ltd., a New Brunswick corporation (collectively "**Landdrill Canada**"), Landdrill Mexico S.A. de C.V., a Mexican corporation ("**Landdrill Mexico**"), Landdrill International LLC, a Mongolian corporation ("**Landdrill Mongolia**"), and Landdrill International Inc., a Barbados corporation, (collectively, the "**Applicants**" or the "**Companies**"), filed an application with the Court of Queen's Bench of New Brunswick (Trial Division) in the judicial district of Moncton (the "**Court**") to initiate proceedings pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, (the "***CCAA***").

2. On August 31, 2012, this Court made an order (the "**Initial Order**") granting various relief including the appointment of Ernst & Young Inc. as *CCAA* Monitor of the Applicants (the "**Monitor**") and imposing a stay of proceedings against creditors of the Companies until September 28, 2012. By Order (Re: Comeback/Extension Motion) dated September 27, 2012 (the "**Comeback Order**"), the Initial Order was amended to, *inter alia*, extend the Stay Period (as defined in the Initial Order) until November 2, 2012.

PURPOSE

3. This Second Report of the Monitor (the "**Second Report**") is filed for the purpose of providing information to this Court with respect to the following:

   (a) The Sale Process;

   (b) The DIP Agreement;

   (c) Payment of Professional Fees; and

   (d) Gold Canyon.

TERMS OF REFERENCE

4. In preparing this report, the Monitor has been provided with, and has relied upon unaudited historical financial statements, other unaudited financial information and projections prepared by the Companies, the books and records of the Companies, discussions with the management and employees of the Companies and other information from various sources. The Monitor has assumed that the information it has been provided is accurate and complete. The Monitor did not audit, review or otherwise attempt to verify the accuracy or completeness of the information. Accordingly, the Monitor expresses no opinion or other form of assurance with respect to the information presented in this report or relied upon by the Monitor in preparing this report. Further, the nature of the Monitor's work completed in these *CCAA* proceedings will not necessarily disclose errors, misstatements, irregularities or illegal acts, if such exist, on the part of the Companies, or its officers or employees or in the information.

5. This report is based solely on the information, financial or otherwise, made available to the Monitor by the Companies.

6. All references to monetary amounts in this report are in Canadian dollars unless otherwise noted.

7. Capitalized terms not defined in this report are as defined in the Initial Order.

8. Copies of this report and other court materials in these *CCAA* proceedings may be obtained from the Monitor's website established in connection with the Companies' *CCAA* proceedings (www.ey.com/ca/landdrill) (the "**Monitor's Website**").

THE SALE PROCESS

Overview

9. The Applicants engaged Clarus Securities Inc. ("**Clarus**") prior to the commencement of these CCAA proceedings to conduct a sale process on behalf of the Applicants. A copy of the engagement letter (the "**Clarus Engagement Letter**") dated August 2, 2012, addressed to and counter-signed by Mr. Ron Goguen, President & CEO of Landdrill International Inc., is attached hereto as Appendix "A".

10. The following is an excerpt from the Clarus Engagement letter:

> "This letter confirms our agreement that Landdrill International Inc. and its subsidiaries ("you" or the "Company") has engaged Clarus Securities Inc. ("we" or "Clarus") to act as its exclusive financial advisor in connection with the possible sale of the Company in one or more series of transactions, by merger, consolidation, reorganization, recapitalization, restructuring, leveraged buyout, sale of all or a portion of your business, securities or assets or any other business combination."

11. As discussed in the First Report of the Monitor filed with this Court (the "**First Report**"), the Initial Order imposed a number of duties on the Monitor in addition to the Monitor's statutory duties with respect to any sale of assets. Specifically, paragraphs 28(e) to 28(i) of the Initial Order provide:

"that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

e) have and exercise sole and exclusive authority (in the name of and on behalf of the Applicants) to instruct Clarus Securities Inc. with respect to the development and implementation of an orderly process for the sale of the Business and/or the Property to be completed within 90 days (the "**Sale Process**") in accordance with the timelines set out in Schedule "B" hereto, and to take such steps and execute such documentation in the name of and on behalf of the Applicants as may be necessary or incidental to the Sale Process;

f) have and exercise the authority (in the name of and on behalf of the Applicants), with the consent of the Senior Lenders, to replace Clarus Securities Inc. and disclaim the engagement letter with Clarus Securities Inc.;

g) have and exercise sole and exclusive authority (in the name of and on behalf of the Applicants) to negotiate with potential purchasers of the Business and/or the Property pursuant to the Sale Process;

h) have and exercise sole and exclusive authority (in the name of and on behalf of the Applicants), with the consent of the Senior Lenders, to dispose of redundant or non-material assets not exceeding $100,000.00 in any one transaction or $1,000,000 in the aggregate;

i) have and exercise sole and exclusive authority (in the name of and on behalf of the Applicants) to accept one or more offers to purchase the Business and/or the Property pursuant to the Sale Process (subject to approval of the Court);"

12. Schedule "B" to the Initial Order, as amended by the Comeback Order ("**Schedule B**"), sets forth the following timeline for conduct of the Sale Process (the **"Timeline"**):

<u>Timeline for Conduct of the Sales Process:</u>

1. The template Confidentiality Agreement (the "CA") shall be finalized (and delivered to the Monitor and the Senior Lenders) on or before August 31, 2012.

2. The population of the electronic on-line data room shall be finalized (and written confirmation of completion of this task shall be provided to the Monitor and the Senior Lenders) on or before August 31, 2012.

3. The list of approved purchasers (the "Approved Purchasers") shall be finalized (and delivered to the Monitor and the Senior Lenders) on or before September 5, 2012.

4. The CA shall be finalized and distributed to the Approved Purchasers (and written confirmation of completion of this task shall be provided to the Monitor and the Senior Lenders) on or before September 5, 2012.

5. One or more non-binding written expressions of interest regarding a proposed purchase of the Business and/or the Property shall have been obtained by the Borrower and shall have been provided to the Monitor and the Senior Lenders on or before September 21, 2012.

6. The template precedent definitive agreements required for the sale of the Business and/or the Property shall have been prepared (and delivered to the Monitor and the Senior Lenders) on or before October 15, 2012.

7. A binding Agreement of Purchase and Sale of the Business and/or the Property (the "APA") shall have been prepared and executed by the Monitor (in the name of and on behalf of the Borrower) (as Vendor) and the Proposed Purchaser (and an executed copy thereof shall have been provided to the Monitor and the Senior Lenders) on or before October 15, 2012.

8. The APA shall have become unconditionally effective (save and except for a condition requiring approval of the APA by the Court) (and written confirmation

of the APA having become unconditionally effective shall have been provided to the Monitor and the Senior Lenders) on or before October 15, 2012.

9. Approval of the APA by the Court and the closing of the sale contemplated by the APA shall have occurred (and written confirmation of the closing of such sale shall have been provided to the Monitor and the Senior Lenders) on or before November 2, 2012.

13. The Monitor understands that the terms of the Timeline were a key factor underpinning the Senior Lenders' decision to support the Companies' *CCAA* application and provide DIP Financing to the Companies.

Approved Purchasers List

14. As discussed in the First Report, the Monitor reviewed the potential purchaser list prepared by Clarus. The original list contained six names. The Monitor is informed that the original list was developed with input and comments from management of the Applicants ("**Management**") to support the implementation of the Clarus pre-*CCAA* sale process.

15. Mr. Goguen recommended two additional companies to be added to the Approved Purchasers List in order to ensure a broader canvas of potential purchasers. Clarus accepted Mr. Goguen's recommendation and added these names to the Approved Purchasers List.

16. The Monitor recommended that five additional companies be added to the Approved Purchasers List in order to ensure a broader canvas of potential purchasers. Clarus accepted the Monitor's recommendation and increased the Approved Purchasers List.

17. The Approved Purchasers List includes all of the mineral drilling companies that reported acquisitions in the drilling services industry since 2008, as reported by Canaccord Genuity in its January 23, 2012 Equity Research Report.

18. To the best of the Monitor's knowledge, at no time between the commencement of the *CCAA* proceedings on August 31, 2012 and the receipt of expressions of interest on

September 21, 2012, did any member of Management indicate that it had any concerns with the Approved Purchasers List, suggest any additional changes to the Approved Purchasers List, other than the two additional companies that were added by Mr. Goguen or indicate that Management might participate in any potential bid.

19. As discussed in more detail below, neither Mr. Goguen nor Blue Chip Investments ("**Blue Chip**") was on the Approved Purchasers List.

Expressions of Interest

20. As discussed in the First Report, several written non-binding EOIs were received by Clarus on or prior to the September 21, 2012 deadline, including an EOI submitted by Blue Chip (a company affiliated with Mr. Goguen which was not on the Approved Purchasers List). All potential purchasers on the Approved Purchasers List that did not submit an EOI confirmed to Clarus that they did not intend to submit an EOI.

21. As discussed in the First Report, the Clarus EOI summary and copies of the EOIs were provided to Management and the Senior Lenders by the Monitor at 4:12 pm Eastern Time on September 21, 2012. Shortly thereafter, Clarus advised the Monitor that the Clarus Summary omitted an additional EOI which had unexpectedly been submitted by Blue Chip at 4:00pm Eastern Time (i.e., prior to the Clarus Summary being provided to Management and the Senior Lenders).

22. Upon becoming aware of the involvement of a member of Management in an EOI, the Monitor asked all members of Management to disclose the extent of their involvement, if any, in the Blue Chip EOI or any other EOI. Based on the responses received, and as reported in the First Report, the Monitor, in consultation with Clarus and the Senior Lenders, determined it was prudent to exclude Management from further consideration of the EOIs due to concerns regarding their potential participation as bidders in the Sale Process. The Monitor later received satisfactory confirmation from each member of Management as to their participation in the Sale Process and the Monitor again permitted members of Management to participate in the consideration of EOIs where no conflict existed.

23. Having reviewed the EOI's received, Management advised the Monitor of its dissatisfaction with the Sale Process and its results. Management became focused on trying to develop a plan of compromise and arrangement. The Monitor provided analysis and feedback to Management on certain of Management's proposed structures when requested.

24. A summary of all of the EOIs received by September 21, 2012, as prepared by Clarus, together with copies of all of the EOIs received and more detailed information regarding the conduct of the Sale Process since the First Report, is attached hereto as Confidential Appendix "**A**". The Monitor requests that the Court seal the Confidential Appendix in order to preserve the integrity of the Sale Process.

25. EOIs were received for certain of the assets of each of Landdrill Canada, Landdrill Mexico, Landdrill Mongolia and Landdrill Russia. One or more of the EOIs were discarded immediately as providing inadequate compensation.

26. The Applicants and their counsel, with the assistance of the Monitor and its counsel, prepared a draft Asset Purchase Agreement (the "**Template APA**"). The Template APA was forwarded to the Senior Lenders' counsel on Monday October 1, 2012, as required by the Initial Order. On October 4, 2012, the Template APA was circulated to certain of the bidders who had submitted EOIs. A copy of the Template APA is attached hereto as Appendix "**B**".

27. Following negotiations with the remaining bidders, on October 15, 2012, the Monitor entered into exclusivity arrangements with respect to the assets located in Canada, Mexico and Mongolia, which exclusivity expires on October 26, 2012. The Monitor is in the process of attempting to negotiate acceptable asset purchase agreements and will report to this Court on the status of the negotiations as appropriate.

THE DIP AGREEMENT

28. As noted in the First Report, at the initial *CCAA* application the Applicants sought and obtained Court approval of the DIP Agreement that provides a credit facility to finance the Applicants' working capital requirements of up to $1.5 million. In connection with the DIP Agreement, the DIP Lender was granted the benefit of the Court-ordered DIP Lender's Charge as security for the DIP obligations owing under the DIP Agreement. On September 27, 2012, pursuant to the Comeback Order, the DIP Lender's Charge was granted priority over all Encumbrances (as defined in the Comeback Order) other than the Administration Charge and the Critical Supplier Charge.

Event of Default

29. The DIP Agreement contains a number of Events of Default (as defined in the DIP Agreement), including:

> "h) if a binding APA has not been prepared and executed by the Monitor (in the name of and on behalf of the Borrower) (as Vendor) and the Proposed Purchaser (and an executed copy thereof has not been provided to the Monitor and the DIP Lender) on or before October 15, 2012;"

30. Further, it is a condition precedent to the obligation of the DIP Lender to make the DIP Facility available to the Applicants that no Event of Default shall have occurred.

31. On October 17, 2012, counsel to the DIP Lender sent an email to counsel to the Applicants, the Monitor and the other Senior Lenders stating that the Applicants have failed to abide by the Sale Process timelines set out in the DIP Term Sheet and are now in default of their obligations under the DIP Term Sheet. Accordingly, the Applicants are not currently in a position to access the DIP Credit Facility. The DIP Lender has put forward a revised DIP Term Sheet reflecting modified Sale Process timelines. The revised DIP Term Sheet, together with the cover email, is attached hereto as Appendix "**C**".

32. To date, to the knowledge of the Monitor, the Applicants have not provided any comments to the DIP Lender in respect of the revised DIP Term Sheet.

Use of DIP Loan Facility

33. The Applicants prepared an updated cash flow projection (the "**Updated Cash Flow Projection**") that was attached as Confidential Appendix B to the First Report. Since that time, the Applicants have been able to conserve cash because fewer rigs than projected are working resulting in lower operating expenditures, and have been able to collect receivables faster than projected. Consequently, it now appears that the projected need of the Applicants to draw on the DIP Loan has been delayed until the week of October 29, 2012. The Monitor will work with the Applicants to update the cash flow projection prior to the November 2, 2012 hearing.

PAYMENT OF PROFESSIONAL FEES

34. Paragraph 35 of the Initial Order authorizes and directs the Applicants to pay the accounts of the Monitor, the Monitor's counsel and the Applicants' counsel (the **"Professional Firms"**) on a weekly basis. Landdrill Canada had been making regular weekly payments to the Professional Firms for their fees and expenses incurred up until September 28, 2012. Thereafter, as described below, the Applicants ceased making regular payments of the weekly invoices for professional fees.

35. As at October 9, 2012, two weeks of outstanding invoices of the Professional Firms were in arrears. After repeated written and oral requests for payment, and following an October 9, 2012, discussion between the Monitor and Mr. Goguen, during which the Monitor agreed to a small fee reduction requested by Mr. Goguen, Mr. Goguen agreed to pay all outstanding invoices. Instead, on October 10, 2012, Mr. Goguen authorized payment of only the oldest invoice of each of the Professional Firms, but not the most recent invoice of each Professional Firm which were also in arrears.

36. Despite repeated requests for payment, the Monitor understands that no additional payments were made to any of the Professional Firms until October 18, 2012, the day

before a scheduled conference call with the Court. At that time the Applicants issued wire transfers to:

(a) The Applicants' counsel in full satisfaction of its two outstanding invoices;

(b) The Monitor in partial satisfaction of its two outstanding invoices (the Applicants did not pay $807.66 of one invoice); and

(c) The Monitor's counsel in partial satisfaction of one of two outstanding invoices (the Applicants did not pay $3,495,25 of that invoice) and did not pay the most recent outstanding invoice of $23,111.25 which was also due and payable.

GOLD CANYON

37. As reported in the First Report, Gold Canyon filed a notice of motion seeking an order from this Court ordering, *inter alia,* the Applicants to account for and forthwith pay over $300,000 to Gold Canyon.

38. Following the hearing of Gold Canyon's motion before this Court, the Applicants, after discussion with the Monitor and the Secured Lenders, attempted to negotiate an acceptable settlement of Gold Canyon's outstanding statement of claim with Gold Canyon. On October 2, 2012, the Applicants made an offer to Gold Canyon that had the support of the Senior Lenders and the Monitor. On October 17, 2012, counsel for Gold Canyon informed the Applicants and the Monitor that Gold Canyon had rejected the offer.

39. In connection with the Gold Canyon motion, the Applicants have transferred $100,000 to the Monitor to hold in trust. Negotiation of the form of order resulting from the hearing of Gold Canyon's motion on September 27, 2012 is ongoing.

ALL OF WHICH is respectfully submitted this 22nd day of October, 2012.

ERNST & YOUNG INC.
In its capacity as the Court-appointed Monitor of Landdrill International Inc., a British Columbia corporation, Landdrill International Ltd., a New Brunswick corporation, Landdrill Atlantic Ltd., Landdrill Contract Mining Ltd., a New Brunswick corporation, Landdrill Mexico S.A. de C.V., Landdrill International LLC, a Mongolian corporation, and Landdrill International Inc., a Barbados corporation,

Per:

Paul D. Hickey, CA•CIRP
Senior Vice President

Christopher Mediratta, CA, CIRP
Vice President

APPENDIX "A"

Clarus Engagement Letter

CLARUS
SECURITIES INC.

PERSONAL AND CONFIDENTIAL

August 2, 2012

Landdrill International Inc.
160 MacNaughton Avenue
Moncton, New Brunswick E1H 3L9

Attention: Ronald Goguen, President & CEO

Dear Mr. Goguen:

This letter confirms our agreement that Landdrill International Inc. and its subsidiaries ("you" or the "Company") has engaged Clarus Securities Inc. ("we" or "Clarus") to act as its exclusive financial advisor in connection with the possible sale of the Company in one or more series of transactions, by merger, consolidation, reorganization, recapitalization, restructuring, leveraged buyout, sale of all or a portion of your business, securities or assets or any other business combination.

Services. During the term of our engagement, we will advise and assist you in connection with the planning, execution and closing of a sale. Our services may include, to the extent that you and we agree necessary or advisable, assisting and advising you with respect to (1) performing valuation analyses, (2) identifying potential purchasers, (3) coordinating the auction or other process by which you will select the purchasers, (4) negotiating the agreements effecting the sale, (5) administering the closing of the sale and, if requested, (6) rendering a fairness opinion to your Board of Directors.

If requested by you, Clarus will render a fairness opinion to your Board of Directors with respect to the fairness from a financial point of view to the stockholders of the Company or the Company, as applicable, of the consideration to be received in the sale, as of the date of the opinion. Our opinion will be in scope, form and substance as we consider appropriate and will be addressed solely to your Board of Directors. In connection with delivering our opinion, our review of the Company and any purchaser will be limited to publicly available information and information provided to us by the Company and (if appropriate) by such purchaser or purchasers, and you acknowledge that we will not be required to independently verify such information. We will render our opinion at the meeting of your Board of Directors to finally consider the sale.

Our opinion and any written or oral advice provided by us pursuant to this engagement will be treated by the Company as confidential, will be solely for the information and assistance of the Company and its advisors in connection with their consideration of the sale and will not be reproduced, summarized, described or referred to, or furnished to any other party or used for any other purpose, except in each case with our prior written consent. We understand you may request that our opinion be disclosed in a registration statement and/or a proxy statement. You may disclose the opinion and refer to it provided that we expressly approve all statements in such documents relating to us or the opinion and provided that the opinion is reproduced in full and any description of or reference to us or our opinion or any summary of our opinion or presentation is in form and substance reasonably acceptable to us and our legal counsel.

Compensation. In connection with this engagement, the Company agrees to pay Clarus the following fees:

(1) A non-refundable cash engagement fee of C$25,000 on the date hereof.

(2) If requested, upon the delivery of our fairness opinion a cash fee of C$100,000.

(3) If a sale is consummated or announced with any party other than Energold Drilling Corp. ("Energold") (in each case either during the term of this engagement or pursuant to a definitive agreement entered into during the term of this engagement), a cash transaction fee of 3.0% of the total consideration (as defined herein). If a sale is consummated with Energold, then the cash transaction fee will be $300,000. The fee will be calculated and put into escrow two days prior to closing and will be paid upon closing.

(4) If a sale for which we would have been entitled to a fee is not consummated, one half of any termination, break-up, topping, or other fee or of the value of any option you receive.

"Consideration" means the sum of (1) the cash paid or payable, market value of marketable equity securities or interests, fair value of unmarketable equity securities or interests, face amount of straight and convertible debt instruments or obligations issued or issuable to the Company or its equity holders (including option holders) or any entity affiliated with you or your equity holders (including option holders) in connection with the sale, (2) the amount of indebtedness of the Company or any of its subsidiaries assumed, retired or defeased, directly or indirectly, by any purchaser or purchasers or any of their respective affiliates in connection with a sale, (3) any amounts paid by the Company to repurchase shares or dividends paid after the date of this agreement, and (4) the fair value of contingent future payment obligations arising in connection with the sale, including any amounts held back or placed in escrow. If the sale of the Company results in the sale of control of the Company, consideration will be calculated as if all of the Company were being acquired as of such time in an amount equal to the sum of any and all consideration paid, payable, assumed and incurred by an acquiring party or any entity affiliated with an acquiring party and consideration then payable divided by the percentage of the Company acquired through such date. The amount of any sale Consideration will be reasonably estimated by the Company and Clarus prior to the public announcement of the sale and determined as of, and any unpaid portion of the transaction fee will be paid by the Company at the time the sale is consummated. If any portion of the aggregate consideration is paid in the form of securities, the value of such securities, for purposes of calculating the transaction fee, will be determined by the average of the last sales prices for such securities on the five trading days ending five trading days prior to the date of the consummation of the acquisition. If such securities do not have an existing public trading market, the value of the securities and other non-cash consideration will be the mutually agreed upon fair market value on the day prior to the consummation of the sale.

Our fees will not be reduced by any obligation that you may have to any other broker, finder or advisor.

Reimbursement. You agree to reimburse us periodically upon request for our reasonable out-of-pocket costs and expenses incurred in connection with this engagement, including travel, reproduction, printing and similar expenses as well as the reasonable fees and expenses of our outside legal counsel and any other outside professionals retained by us, whether or not a sale is consummated; provided, however, that this sentence will not affect the Company's obligations set forth in *Annex A*.

Term. Upon 30 days notice either of us may terminate our engagement, the term of which will cease as of the effectiveness of such termination. Termination will not affect your obligation to pay our fees or reimburse our expenses or your obligations described under "Other Engagements" or "Indemnification". If at any time before the second anniversary of such termination a sale is consummated or you enter into a definitive agreement which later results in a sale, you will pay us the cash transaction fee described under "Compensation" above.

Other Engagements. Prior to the second anniversary of the termination of our engagement, you will offer to us the right to act as sole book-running lead manager or sole agent in the case of any offering or placement of securities. If we agree to act in any such capacity, you and we will enter into an appropriate form of underwriting, placement agency, engagement or other agreement relating to the type of transaction involved and containing customary fees, terms and conditions. Such agreement may include certain indemnification, reimbursement and miscellaneous provisions, but unless specifically covered by a separate agreement setting forth such arrangements, the provisions in this letter agreement and the attached *Annex A* will apply to each such transaction.

Indemnification. Because we will be acting on your behalf, you agree to indemnify us and related persons as set forth in *Annex A*. Your obligations in *Annex A* will remain operative regardless of any termination or completion of our services.

Miscellaneous. We are a full service securities firm and, therefore, we may from time to time effect transactions for our own account or for the account of our customers and hold positions in securities or options on securities of the Company and other companies which may be the subject of our services. This letter agreement will not limit or restrict our ability to lawfully engage in such transactions with respect to either the Company's securities or any other entity's securities.

In connection with this engagement, you agree to furnish us with any and all information about the Company, the proposed transaction and reasonable access to the Company's directors, officers, employees, independent accountants and legal and other advisors and to promptly inform Clarus if the Company is contacted by or on behalf of any party concerning a possible sale. You agree that all information provided by the Company will be complete and correct in all material respects and will not contain any untrue statement of material fact or omit to state any material fact necessary to make such information or statement not misleading in light of the circumstances under which such information was provided or such statement was made. You also agree that any projections or other information provided to us, any prospective party to a transaction or any governmental or regulatory entity will have been prepared in good faith and will be based upon assumptions which, in light of the circumstances under which they are made, are reasonable.

The Company acknowledges and agrees that we will provide our financial advice, written or oral, exclusively for the information of your Board of Directors and senior management of Landdrill, who will make all decisions regarding whether and how to pursue any opportunity or transaction, including the sale. Your Board of Directors and senior management will base their decisions on our advice as well as on the advice of legal, tax and other business advisors and other factors which they consider appropriate. Accordingly, as an independent contractor we will not assume the responsibilities of a fiduciary to you or your stockholders in connection with the performance of our services.

We do not provide accounting, tax or legal advice, and you are authorized (subject to applicable law) to disclose any and all aspects of any potential transaction to the extent necessary to support any Canadian income tax benefits expected to be claimed with respect to such transaction, without us imposing any limitation of any kind.

You agree that we may, at our option and expense, place an announcement on our website or in such newspapers and periodicals as we may choose, stating that we have acted as exclusive financial advisor to the Company in connection with any publicly announced sale relating to this letter agreement. You also agree that, if we so request, press releases announcing actions taken by the Company in connection with this engagement will acknowledge us as the Company's exclusive financial advisor.

This letter agreement, together with *Annex A*, contains our entire agreement concerning the proposed transaction and supersedes any prior understandings and agreements. This letter agreement will be binding upon and inure to the benefit of you, us, each Indemnified Person (as defined in *Annex A*) and our respective successors and assigns and nothing herein is intended to confer upon any person, other than you, us, each Indemnified Person and our respective successors and assigns, any rights, remedies, obligations or liabilities.

This letter agreement is made and will be construed under and in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein without reference to any principles of the conflicts of laws.

Any dispute arising out of or relating to this letter agreement (including any annex or exhibit) will exclusively be submitted to an arbitrator for binding and conclusive resolution. The arbitration will be in Toronto, Canada and will be administered in accordance with the provisions of the *Arbitration Act, 1991* (Ontario), S.O. 1991, Chap. 17, subject to the following rules and procedures. The arbitrator will have the authority to permit discovery and to follow the procedures that he or she determines to be appropriate. In all cases, however, the parties agree and direct the arbitrator to adopt procedures necessary to render a final decision within 180 days of the commencement of the arbitration. The arbitrator will have no power to award consequential (including lost profits), punitive or exemplary damages. The forum fees and other costs of the arbitration will be advanced equally by the parties, but the arbitrator will direct, as part of his or her final award, that the prevailing party recovers its reasonable attorneys' fees, costs of arbitration, prejudgment interest and any other out-of-pocket costs reasonably incurred to enforce this letter agreement. You and we consent to the non-exclusive personal jurisdiction and venue in the courts located in the Province of Ontario, Canada for purposes of enforcement of any arbitration award.

Any waiver of any right or obligation hereunder must be in writing signed by the party against whom such waiver is sought to be enforced. Time is of the essence under this letter agreement. Any amendment hereto must be in writing signed by you and us.

After reviewing this letter agreement, please confirm that it is in accordance with your understanding and effective as of the date first set above by signing and returning to us an executed copy.

Very truly yours,

CLARUS SECURITIES INC.

By: John Jentz

John Jentz, Managing Director

Accepted and Agreed as of the date set forth above:

LANDDRILL INTERNATIONAL INC.

By: Ron Goguen

Ronald Goguen, President & CEO

Annex A

The Company will indemnify and hold harmless Clarus Securities Inc. ("Clarus"), its affiliates, the directors, officers, employees and agents of Clarus and its affiliates, and each other person or entity, if any, controlling Clarus or any of its affiliates (each, an "Indemnified Person"), from and against any losses, claims, damages, liabilities or expenses (including actions, claims or proceedings in respect thereof (collectively, "Proceedings") brought by or against any person, including stockholders of the Company, and the cost of any investigation and preparation therefor and defense thereof) (collectively, "Losses") arising out of or in connection with (i) advice or services rendered or to be rendered by any Indemnified Person pursuant to the letter agreement, (ii) the transactions contemplated by the letter agreement or (iii) any Indemnified Person's actions or inactions in connection with any such advice, services or transactions; provided, however, that the Company will not be obligated to indemnify for any Losses of any Indemnified Person to the extent such losses are determined by a court of competent jurisdiction in a final judgment not subject to appeal to have resulted solely from the bad faith or gross negligence of such Indemnified Person. The Company also agrees that no Indemnified Person will have any liability (whether direct or indirect, in contract or tort or otherwise) to the Company in connection with (i) advice or services rendered or to be rendered by any Indemnified Person pursuant to the letter agreement, (ii) the transactions contemplated by the letter agreement or (iii) any Indemnified Person's actions or inactions in connection with any such advice, services or transactions, except to the extent such liabilities are determined by a court of competent jurisdiction in a final judgment not subject to appeal to have resulted solely from the bad faith or gross negligence of such Indemnified Person. The Company agrees that in no event will any Indemnified Person be liable or obligated in any manner for any damages (including, but not limited to actual, consequential, exemplary or punitive damages or lost profits) in excess of fees actually received by Clarus from the Company pursuant to the section of this letter agreement captioned "Compensation", and the Company agrees not to seek or claim any such damages or profits in any circumstance.

The Company also agrees to reimburse each Indemnified Person, periodically upon request, for all expenses (including fees and expenses of counsel) as they are incurred by such Indemnified Person in connection with investigating, preparing for or defending any Proceeding (or enforcing the letter agreement or any related engagement or commitment agreement), whether or not in connection with pending or threatened litigation in which any Indemnified Person is a party. Each Indemnified Person agrees to repay to the Company any reimbursed expenses determined by a court of competent jurisdiction in a final judgment not subject to appeal to have resulted from the bad faith or gross negligence of such Indemnified Person.

If for any reason the foregoing indemnification is unavailable to any Indemnified Person or insufficient to hold it harmless, then the Company will contribute to the amount paid or payable by such Indemnified Person as a result of such Losses in such proportion as is appropriate to reflect the relative economic interests of the Company, its affiliates and its stockholders on the one hand and the Indemnified Person on the other in the matters contemplated by the letter agreement as well as the relative fault of the Company, its affiliates or its stockholders, on the one hand, and such Indemnified Person, on the other; provided, however, that in no event will the Indemnified Persons as a whole be required to contribute an amount greater than the amount of all fees actually received by Clarus from the Company pursuant to the section of this letter agreement captioned "Compensation".

The Company will not, without Clarus' prior written consent, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any action, claim, suit or proceeding in respect of which indemnification may be sought hereunder (whether or not any Indemnified Person is a party thereto) unless such settlement, compromise, consent or termination includes a release of each Indemnified Person from any liabilities arising out of such action, claim, suit, or proceeding. The Company will not permit any such settlement, compromise, consent or termination to include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of an Indemnified Person, without such Indemnified Person's prior written consent. No Indemnified Person seeking indemnification, reimbursement or contribution under this agreement will, without the Company's prior written consent, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any action, claim, suit or proceeding referred to herein.

The Company's reimbursement, indemnity and contribution obligations hereunder will be in addition to any liability that it may otherwise have, and will inure to the benefit of any successors, assigns, heirs and representatives of each Indemnified Person. Solely for the purpose of enforcing the letter agreement, the Company hereby consents to personal jurisdiction and venue in any court in which any Proceeding is brought. The provisions of this Annex A will survive any termination of this letter agreement, the consummation of any transaction contemplated thereby or the other completion of Clarus' services with respect thereto.

In the event the Company proposes to engage in any sale, distribution or liquidation of all or a significant part of its assets, or any merger or consolidation and the Company is not to be the surviving or resulting corporation or entity in such merger or consolidation, the Company will give prompt prior notice thereof to Clarus and will make proper provision in a manner reasonably satisfactory to us so that the Company's obligations hereunder are expressly assumed by the other party or parties to such transaction.

If any term, provision, covenant or restriction herein is held by a court of competent jurisdiction to be invalid, void or unenforceable or against public policy, the remainder of the terms, provisions and restrictions contained herein will remain in full force and effect and will in no way be affected, impaired or invalidated.

APPENDIX "B"

Asset Purchase Agreement

AGREEMENT OF PURCHASE AND SALE

Made as of the ● day of October, 2012

Between

[INSERT LANDDRILL VENDORS]

(the "**Vendors**")

and

[INSERT PURCHASER]

(the "**Purchaser**")

TABLE OF CONTENTS

AGREEMENT OF PURCHASE AND SALE

This Agreement is made as of the ● day of October, 2012 between:

[INSERT LANDDRILL VENDORS]

(the "**Vendors**")

and

[INSERT PURCHASER]

(the "**Purchaser**")

RECITALS

A. Whereas the Vendors, among others, sought and were granted protection from their creditors under the *Companies' Creditors Arrangement Act* (the "**CCAA**") pursuant to an Initial Order of the Court of Queen's Bench of New Brunswick dated August 31, 2012 (the "**Initial Order**").

B. Whereas the Initial Order set out the parameters of a Sale Process for the sale of the Business and/or the Property (each as defined therein) of the Vendors.

C. Whereas the Vendors desire to sell the Assets (defined below) and the Purchaser desires to purchase the Assets, as more particularly set out herein and subject to the terms and conditions hereof.

FOR VALUE RECEIVED, the Parties agree as follows:

1. INTERPRETATION

1.1 Definitions

In this Agreement:

(i) **Agreement** means this Agreement of Purchase and Sale and all attached Schedules, in each case as the same may be supplemented, amended, restated or replaced from time to time;

(ii) **Approval and Vesting Order** has the meaning set out in Section 4.3;

(iii) **Assets** means the assets of the Vendors set out in Schedules A, B and C;

(iv) **Assumed Contracts** means those agreements to be assumed by the Purchaser set out in Schedule C;

(v) **Assumed Obligations** has the meaning set out in Section 2.4;

(vi) **Business Day** means a day on which banks are open for business in the City of Moncton but does not include a Saturday, Sunday or statutory holiday in the Province of New Brunswick;

(vii) **CCAA** has the meaning given to that term in the recitals to this Agreement;

(viii) **CCAA Proceedings** means the proceedings commenced by the Vendors, among others, under the CCAA on August 31, 2012, in the Court of Queen's Bench of New Brunswick;

(ix) **Closing** means the completion of the Transaction in accordance with the terms of this Agreement;

(x) **Closing Date** means ●, 2012, or such earlier or later day as the Parties may mutually agree in writing;

(xi) **Court** means the Court of Queen's Bench in New Brunswick;

(xii) **Court Approval** means the issuance of the Approval and Vesting Order by the Court;

(xiii) **Cure Costs** means all amounts that must be paid, if any, in connection with the assignment and assumption of the Assumed Contracts, including any costs to obtain a consent to assignment and any amounts required to be paid to cure any monetary defaults in connection with the assignment of the Assumed Contracts to the Purchaser under Section 11.3 of the CCAA;

(xiv) **Deposit** has the meaning given to that term in Section 2.6;

(xv) **ETA** means the *Excise Tax Act* (Canada);

(xvi) **Governmental Authority** means any government, regulatory authority, governmental department, agency, commission, bureau, court, judicial body, arbitral body or other law, rule or regulation-making entity:

a. having jurisdiction over the Vendors, the Purchaser, the Assets or the Assumed Obligations on behalf of any country, province, state, locality or other geographical or political subdivision thereof; or

b. exercising or entitled to exercise any administrative, judicial, legislative, regulatory or taxing authority or power;

(xvii) **GST** means all goods and service taxes imposed under Part IX of the ETA;

(xviii) **HST** means the tax imposed under the *Harmonized Sales Tax Act*, S.N.B. 1997, c. H-1.01;

(xix) **Initial Order** has the meaning given to that term in the recitals to this Agreement;

(xx) **Monitor** means Ernst & Young Inc., in its capacity as the Court-appointed Monitor of the Vendors as appointed by the Initial Order;

(xxi) **Parties** means the Vendors and the Purchaser;

(xxii) **Purchase Price** has the meaning set out in Section 2.6;

(xxiii) **Real Property** means the property described at Schedule B;

(xxiv) **Time of Closing** means ● on the Closing Date or such other time on the Closing Date as the Parties may mutually agree to close the Transaction; and

(xxv) **Transaction** means the transaction of purchase and sale and assignment and assumption contemplated by this Agreement.

1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms "this Agreement", "hereof", "herein" and "hereunder" and similar expressions refer to this Agreement and not to any particular section hereof.

1.3 Extended Meanings

Words importing the singular include the plural and vice versa, words importing gender include all genders and words importing persons include individuals, partnerships, associations, trusts, unincorporated organizations, corporations and governmental authorities. The term "including" means "including, without limitation," and such terms as "includes" have similar meanings.

1.4 Schedules

The following Schedules are incorporated in and form part of this Agreement:

Schedule A Assets

Schedule B Real Property

Schedule C Assumed Contracts

Schedule D Approval and Vesting Order

2. SALE AND PURCHASE AND ASSIGNMENT

2.1 Sale and Purchase of Assets

Subject to the terms and conditions hereof, on the Closing Date, the Vendors, exercising the powers granted pursuant to the Approval and Vesting Order, shall sell to the Purchaser and the Purchaser shall purchase from the Vendors, all of the Vendors' right, title and interest in and to the Assets.

2.2 Assignment and Assumption of Contracts

Subject to the conditions and terms hereof, on the Closing Date, the Vendors shall assign to the Purchaser all of the Vendors' rights, benefits and interests in and to the Assumed Contracts and the Purchaser shall assume the obligations and liabilities of the Vendors under all such Assumed Contracts arising on or after the Closing Date (including the payment of any Cure Costs). This Agreement and any document delivered pursuant to this Agreement shall not constitute an assignment or an attempted assignment of any Assumed Contract contemplated to be assigned to the Purchaser under this Agreement which is not assignable without the consent of a third party unless (i) such consent has been obtained, or (ii) the assignment has been ordered by the Court. If the Vendors seek approval of an assignment from the Court, the Purchaser shall provide all necessary support required, including providing required documentation in a timely manner. The Purchaser shall also provide an affidavit or other evidence, in form and substance acceptable to the Vendors, to support its ability to provide adequate evidence of future performance of each of the Assumed Contracts.

2.3 Accounts Receivable

Any accounts receivable existing as of the Closing Date shall not form part of the Assets and shall not be assigned to the Purchaser under any Assumed Contract. However, the Purchaser agrees that it will use its best efforts to ensure the collection of any such accounts receivable for the benefit of the Vendors and shall remit such collections together with a statement of collections to the Monitor, on behalf of the Vendors, on a monthly basis. The Parties further agree that the Vendors may give written notice to the Purchaser at any time that the Vendors will resume collection of any one or more accounts receivable and if they do so the Purchaser shall use reasonable efforts to assist the Vendors in collecting such accounts.

2.4 "As is, Where is"

The Purchaser acknowledges that the Vendors are selling the Assets on an "as is, where is" basis as they shall exist on the Closing Date. The Purchaser further acknowledges that it has entered into this Agreement on the basis that the Vendors do not warrant title to the Assets and that the Purchaser has conducted such inspections of the existence, nature, terms, attributes, features, capabilities, condition of and title to the Assets as it deemed appropriate and has satisfied itself with regard to these matters. The Purchaser agrees to accept the Assets and the Assumed Obligations in the condition, state and location they are in on the Closing Date based upon its own inspection, examination and determination with respect to all matters and without reliance upon any express or implied warranties of any nature made by or on behalf of or imputed to the Vendors, except as expressly set forth in this Agreement. No representation, warranty or condition is expressed or can be implied as to title, encumbrances, description, fitness for purpose, merchantability, condition, quantity or quality or in respect of any other matter or thing whatsoever concerning the Assets or the right of the Vendors to sell or assign same save and except as expressly represented or warranted herein. Without limiting the generality of the foregoing, any and all conditions, warranties or representations expressed or implied pursuant to the *Sale of Goods Act* (New Brunswick) or similar legislation in any other Province of Canada or other jurisdiction do not apply hereto and are hereby waived by the Purchaser. The description of the Assets contained in the Schedules hereto is for the purpose of identification only. No representation, warranty or condition has been or will be given by the Vendors concerning the completeness or the accuracy of such descriptions.

2.5 Assumed Obligations

In connection with its acquisition of the Assets, the Purchaser shall assume the following liabilities on Closing (the "**Assumed Obligations**"):

(i) The Purchaser shall assume and perform, discharge and pay when due the debts, liabilities and obligations under the Assumed Contracts for the period from and after the Closing, including all Cure Costs; and

(ii) ●.

The Purchaser hereby agrees to fulfill all Assumed Obligations thereafter and to fully indemnify and hold harmless the Vendors in respect thereof. If so required by the Vendors, either prior to, or at any time following Closing, the Purchaser, at its own expense, shall enter into such specific assumption agreement(s) as the Vendors may reasonably require with respect to any Assumed Obligations.

2.6 Excluded Obligations

Other than the Assumed Obligations and all obligations to be assumed pursuant to section 2.7 (Taxes), the Purchaser shall not assume and shall not be liable for any other liabilities or obligations of the Vendors.

2.7 Purchase Price

On Closing, the Purchaser shall provide the Vendors with the following, as consideration for the Assets (collectively, the "**Purchase Price**"):

(i) ●;

The Vendors acknowledge receipt from the Purchaser of a deposit (the "**Deposit**") equal to 15% of the Purchase Price to be held in trust by the Monitor. If the Closing takes place, the Deposit and any interest accrued thereon shall be credited against the Purchase Price. The Deposit and any interest accrued thereon will be forfeited to the Vendors in the event that Closing does not occur as a result of the Purchaser's failure to perform any of its obligations hereunder.

Unless otherwise agreed, all amounts payable to the Vendors by the Purchaser shall be paid by certified cheque, bank draft issued by a Canadian chartered bank or wire transfer of immediately available funds to an account specified by the payee.

2.8 Taxes

The Purchaser shall be liable and shall pay upon Closing, in addition to the Purchase Price, all applicable federal and provincial taxes exigible in connection with the purchase and sale of the Assets including, without limitation, GST and HST. With respect to the HST, where applicable, the Purchaser shall have the option to furnish the Vendors with appropriate Purchase Exemption Certificate(s).

Alternatively, to the extent appropriate, the Purchaser and Vendors shall jointly make the election provided for under subsection 167(1) of the ETA such that no GST will be payable in respect of the Transaction contemplated by this Agreement. The Purchaser and Vendors shall jointly complete the prescribed election form in respect of such election and the Purchaser shall file the election in the manner and time prescribed by the ETA**.**

The Purchaser agrees to indemnify and save the Vendors harmless from and against all assessments, claims and demands for payment of the above-mentioned taxes including penalties and interest thereon and any liability or costs incurred as a result of the Vendors' failure to collect the applicable HST or GST if the section 167 election is not accepted by the Canada Revenue Agency.

[NTD – Include tax provides for non-Canadian Assets/Vendors]

3. REPRESENTATIONS AND WARRANTIES

3.1 Purchaser's Representations

The Purchaser represents and warrants to the Vendors that:

(i) The Purchaser is a corporation duly incorporated, organized and subsisting under the laws of ●;

(ii) The Purchaser has all necessary corporate power, authority and capacity to enter into this Agreement and to perform its obligations hereunder and the execution and delivery of this Agreement and the consummation of the Transaction contemplated has been duly authorized by all necessary corporate action on the part of the Purchaser;

(iii) The Purchaser is not a party to, bound or affected by or subject to any indenture, agreement, instrument, charter or by-law provision, order, judgment or decree which would be violated, contravened or breached by the execution and delivery by it of this Agreement or the performance by it of any of the terms contained herein;

(iv) This Agreement and all other documents contemplated hereunder to which the Purchaser is or will be a party have been or will be, as at Closing, duly and validly executed and delivered by the Purchaser and constitute or will, as at Closing, constitute legal, valid and binding obligations of the Purchaser enforceable in accordance with the terms hereof or thereof.

(v) There is no suit, action, litigation, arbitration proceeding or governmental proceeding, including appeals and applications for review, in progress, pending or, to the best of the Purchaser's knowledge, threatened against or relating to the Purchaser or any judgment, decree, injunction, rule or order of any court, governmental department, commission, agency, instrumentality or arbitrator which, in any case, might adversely affect the ability of the Purchaser to enter into this Agreement or to consummate the Transaction contemplated hereunder and the Purchaser is not aware of any existing ground on which any action, suit or proceeding may be commenced with any reasonable likelihood of success;

(vi) This Agreement and all other documents contemplated hereunder to which the Purchaser is or will be a party have been or will be, as at the Time of Closing, duly and validly executed and delivered by the Purchaser and constitutes or will, as at the Time of Closing, constitute legal, valid and binding obligations of the Purchaser, enforceable in accordance with the terms hereof or thereof;

(vii) The Purchaser **[is / is not]** a non-Canadian person as defined in the *Investment Canada Act*;

(viii) The Purchaser **[is / is not]** registered under Part IX of the ETA **[and its GST/HST number is ●];**

(ix) **[NTD: Insert description of tax residency]**

(x) Other than Court Approval; no authorization, consent or approval of, or filing with or notice to, any Governmental Authority, court or other person is required in connection with the execution, delivery or performance of this Agreement by the Purchaser and each of the agreements to be executed and delivered by the Purchaser hereunder or the purchase of any of the Assets hereunder;

(xi) The Purchaser is an informed and sophisticated purchaser, and has engaged expert advisors or is experienced in the evaluation and purchase of property and assets such as the Assets as contemplated hereunder. The Purchaser has undertaken such investigations and has been provided with and has evaluated such documents and information as it has deemed necessary to enable it to make an informed and intelligent decision with respect to the execution, delivery and performance of this Agreement; and

(xii) The Purchaser acknowledges and agrees that: (i) it has had an opportunity to conduct any and all due diligence regarding the Assets and the Assumed Obligations prior to the execution of this Agreement; (ii) it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Assets and/or the Assumed Obligations; (iii) it is not relying upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express, implied, by operation of law or otherwise, regarding the Assets or the Assumed Obligations; and (iv) the obligations of the Purchaser under this Agreement are not conditional upon any additional due diligence.

3.2 Vendors' Representations

The Vendors severally represent and warrant to the Purchaser as follows:

(i) Each of the Vendors is a corporation duly incorporated, organized and subsisting under the laws of its jurisdiction of incorporation;

(ii) Subject to Court Approval, each of the Vendors has the power, authority and capacity to enter into this Agreement and all other agreements, documents and certificates contemplated hereby to be executed by Vendors and to carry out the Transaction contemplated hereby and thereby;

(iii) Subject to Court Approval, this Agreement and all other documents contemplated hereunder to which the Vendors is or will be a party have been or will be, as at Closing, duly and validly executed and delivered by the Vendors and constitute or will, as at Closing, constitute legal, valid and binding obligations of the Vendors enforceable in accordance with the terms hereof or thereof; and

(iv) **[NTD: Insert description of residency for tax purposes of various Vendors]**.

4. EMPLOYEE MATTERS

4.1 The Purchaser will:

(i) Offer to employ each and all current, active employees on the same terms and conditions of employment, including salary, incentive compensation, and benefits, to those currently available to the transferred employees, and the Purchaser will assume all unpaid vacation pay up to the Closing Date for each transferred employee; and

(ii) Following the date of this Agreement, observe all requirements of any applicable privacy law with respect to the personal information relating to the transferred employees.

5. CONDITIONS

5.1 Conditions - Purchaser

The obligation of the Purchaser to complete the Transaction is subject to the following conditions being fulfilled or performed at or prior to the Time of Closing:

(i) All representations and warranties of the Vendors contained in this Agreement shall be true as of the Closing Date with the same effect as though made on and as of that date;

(ii) The Vendors shall have performed each of its obligations under this Agreement to the extent required to be performed on or before the Closing Date; and

(iii) No action or proceeding having a reasonable likelihood of success shall be pending or threatened to restrain or prohibit the completion of the Transaction contemplated by this Agreement.

The foregoing conditions are for the exclusive benefit of the Purchaser. Any such condition may be waived by the Purchaser in whole or in part. Any such waiver shall be binding on the Purchaser only if made in writing.

5.2 Conditions – Vendors

The obligation of the Vendors to complete the Transaction is subject to the following conditions being fulfilled or performed at or prior to the Time of Closing:

(i) All representations and warranties of the Purchaser contained in this Agreement shall be true as of the Closing Date with the same effect as though made on and as of that date;

(ii) The Purchaser shall have performed each of its obligations under this Agreement to the extent required to be performed on or before the Closing Date; and

(iii) No action or proceeding having a reasonable likelihood of success shall be pending or threatened to restrain or prohibit the completion of the Transaction contemplated by this Agreement.

The foregoing conditions are for the exclusive benefit of the Vendors. Any such condition may be waived by the Vendors in whole or in part. Any such waiver shall be binding on the Vendors only if made in writing.

5.3 Approval and Vesting

This Agreement, the Transaction and the obligations of the Vendors and the Purchaser thereunder, are subject to the conditions that:

(i) An order shall have been issued by the Court on or before the Closing Date substantially in the form attached hereto as Schedule D (a) approving this Agreement and the Transaction, (b) vesting in the Purchaser, all of the right, title and interest of the Vendors in the Assets free and clear of all security interests, hypothecs, mortgages, trusts, liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise, and (c) to the extent necessary, authorizing and approving the assignment of any Assumed Contract for which consent to assignment has not been obtained (the "**Approval and Vesting Order**"); and

(ii) The Approval and Vesting Order shall not have been stayed, appealed, varied or vacated, and no order of the Court shall have been issued which restrains or prohibits the completion of the Transaction.

The Parties hereto acknowledge that the foregoing conditions are for the mutual benefit of the Vendors and the Purchaser.

5.4 Non-Satisfaction of Conditions

If any condition set out in Sections 5.1, 5.2 or 5.3 is not satisfied or performed by the time specified therefor, the Party for whose benefit the condition is inserted may:

(i) In the case of Sections 5.1, 5.2 or 5.3(ii), waive compliance with the condition in whole or in part in its sole discretion by written notice to the other Party and without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part; or

(ii) Elect on written notice to the other party to terminate this Agreement before Closing.

6. CLOSING

6.1 Closing

The completion of the Transaction shall take place at ● on the Closing Date at the Time of Closing or as otherwise determined by mutual agreement of the Parties in writing.

6.2 Purchaser's Deliveries on Closing

At or before the Time of Closing, the Purchaser shall execute and deliver (or where applicable make payment) to the Vendors of the following, each of which shall be in form and substance satisfactory to the Vendors, acting reasonably:

(i) The Purchase Price;

(ii) Payment or evidence of payment of applicable federal and provincial taxes or alternatively, appropriate exemption and/or election certificates, as required by Section 2.7;

(iii) A certificate, dated the Closing Date, confirming that all of the representations and warranties of the Purchaser contained in this Agreement are true as of the Closing Date, with the same effect as though made on and as of the Closing Date;

(iv) An acknowledgement dated the Closing Date, that each of the conditions precedent in Sections 5.1 and 5.3(ii) of this Agreement, if applicable, has been fulfilled, performed or waived as of the Closing Date; and

(v) Such further and other documentation as is referred to in this Agreement or as the Vendors may reasonably required to give effect to this Agreement.

6.3 Vendors' Deliveries on Closing

At or before the Time of Closing, the Vendors shall execute and deliver to the Purchaser the following, each of which shall be in form and substance satisfactory to the Purchaser, acting reasonably:

(i) A certificate, dated the Closing Date, confirming that all of the representations and warranties of the Vendors contained in this Agreement are true as of the Closing Date, with the same effect as though made on and as of the Closing Date;

(ii) An acknowledgement dated the Closing Date, that each of the conditions precedent in Sections 5.2 and 5.3(ii) of this Agreement has been fulfilled, performed or waived as of the Closing Date;

(iii) Such further and other documentation as is referred to in this Agreement or as the Purchaser may reasonably require to give effect to this Agreement; and

(iv) All conveyances, deeds of transfer, share transfers, bills of sale, assignments and transfers that are reasonably required to transfer the Assets to the Purchaser in customary form (and where applicable in recordable form) consistent with Section 2.3.

6.4 Possession of Assets

The Vendors shall remain in possession of the Assets until the Time of Closing. On Closing, the Purchaser shall take possession of the Assets where situate at the Time of Closing. The Purchaser acknowledges that the Vendors have no obligation to deliver physical possession of the Assets to the Purchaser. In no event shall the Assets be sold, assigned, transferred or set over to the Purchaser until the conditions set out in the Approval and Vesting Order have been satisfied or waived and the Purchaser has satisfied all delivery requirements outlined in Section 6.2.

6.5 Access to Assets

The Purchaser may have reasonable access to the Assets during normal business hours prior to the Time of Closing for the purpose of enabling the Purchaser to conduct such non-destructive, non-invasive inspections of the Assets as it deems appropriate. Such inspection shall only be conducted in the presence of a representative of the Vendors, if so required at the discretion of the Vendors. The Purchaser agrees to indemnify and save the Vendors harmless from and against all claims, demands, losses, actions and costs incurred or arising from or in any way directly related to the inspection of the Assets or the attendance of the Purchaser, its employees or agents.

6.6 Risk

The Assets shall be and remain at the risk of the Vendors until Closing and at the risk of the Purchaser from and after Closing. For greater certainty, all insurance policies held by the Vendors in respect of the Assets shall be terminated by the Vendors at the Closing Time and the

Buyer shall be obligated to obtain its own insurance in respect of the Assets forthwith from and after the Closing Time. If, prior to Closing, the Assets are substantially damaged or destroyed by fire or other casualty, then, at its option, the Purchaser may decline to complete the Transaction. Such option shall be exercised within 10 days after notification to the Purchaser by the Vendors of the occurrence of damage or destruction (or prior to the Closing Date if such occurrence takes place within 10 days of the Closing Date) in which event this Agreement shall be terminated automatically and the Vendors shall have no liability or obligation hereunder. If the Purchaser does not exercise such option, it shall complete the Transaction and shall be entitled to an assignment of any proceeds of insurance referable to such damage or destruction. Where any damage or destruction is not substantial, the Purchaser shall complete the Transaction and shall be entitled to an assignment of any proceeds of insurance referable to such damage or destruction. For the purposes of this section substantial damage or destruction shall be deemed to have occurred if the loss or damage to the Assets exceeds 15% of the total Purchase Price. If any dispute arises under this Section as to whether damage or destruction is substantial, such dispute will be determined in accordance with Section 6.7 herein.

6.7 Dispute Resolution

If any dispute arises with respect to any matter related to the Transaction, such dispute will be determined by the Court, or by such other person or in such other manner as the Court may direct.

6.8 Termination

Except as expressly set forth below, this Agreement may be terminated at any time prior to the Closing Date:

(i) By either the Purchaser or the Vendors:

a. By mutual written agreement of the Vendors and the Purchaser;

b. If either the Vendors or the Purchaser validly terminates this Agreement pursuant to the provisions of Sections 5.4 or 6.6; or

c. If the Closing has not occurred on or prior to November 30, 2012 in accordance with section 6.1;

(ii) By the Vendors, in the event of a breach by the Purchaser of any covenant, representation or warranty which would prevent the satisfaction of any condition set forth in Section 5.2 and such breach has not been cured within ten days after written notice thereof by the Vendors, unless the Vendors are in material breach of their obligations under this Agreement; and

(iii) By the Purchaser, in the event of a breach by the Vendors of any covenant, representation or warranty which would prevent the satisfaction of any condition set forth in Section 5.1 and such breach has not been cured within ten days after written notice thereof by the Purchaser, unless the Purchaser is in material breach of its obligations under this Agreement.

If this Agreement is terminated in the circumstances set out in this Section, all further obligations of the Parties under this Agreement will terminate and no Party will have any liability or further obligations hereunder, expect for the provisions of: (a) Section 2.6 (Deposit); (b) this Section (Termination); (c) and Section 7.3 and 7.4.

7. GENERAL

7.1 Further Assurances

Each of the Parties shall, from time to time after the Closing Date, at the request and expense of the other, take or cause to be taken such action and execute and deliver or cause to be executed and delivered to the other such documents and further assurances as may be reasonably necessary to give effect to this Agreement, including executing such further documents or taking such further actions at the expense of the Purchaser, as may be required to commence and complete any of the proceedings contemplated in Section 5.3 of this Agreement.

7.2 Public Notices

The Vendors will be entitled to disclose this Agreement and all information provided by the Purchaser in connection herewith to the Court, the Monitor, and parties in interest to the CCAA Proceedings. Other than statements made in the Court, the Vendors and the Purchaser shall not issue any press release or make any public statement or public communication with respect to this Agreement or the Transaction without the prior written consent of the other Party, which will not be unreasonably withhold or delayed; provided, however, that a Party may without the prior consent of the other Party, issue such press release or make such public statement as may, upon the advice of counsel, be required by applicable law (such consent not to be unreasonably withheld); provided, however, that any Party may, without such consent, make such disclosure if the same is required by applicable law (including the CCAA Proceedings) or by any other court or securities commission or other similar regulatory authority having jurisdiction over such Party or any of its affiliates, and if such disclosure is required, the Party making such disclosure shall use commercially reasonable efforts to give prior oral or written notice to the other, and if such prior notice is not possible, to give such notice immediately following the making of such disclosure. The Parties further agree that the Monitor may prepare and file reports and other documents with the Court containing references to the Transaction and the terms of such transactions.

7.3 Expenses

Except as otherwise specifically provided herein, each of the Vendors and the Purchaser shall be responsible for the expenses (including fees and expenses of legal advisers, accountants and other professional advisers) incurred by them, respectively, in connection with the negotiation and settlement of this Agreement and the completion of the transactions contemplated hereby.

7.4 Notice

Any notice or other communication under this Agreement shall be in writing and may be delivered personally or transmitted by fax, addressed in the case of the Purchaser, as follows:

●

●

Attention: ●
Telephone No.: ●
Fax No.: ●

and in the case of the Vendors as follows:

●
●

Attention: ●
Telephone No.: ●
Fax No.: ●

Any such notice or other communication, if given by personal delivery on a Business Day, will be deemed to have been given on the day of actual delivery thereof and, if transmitted by fax before 5:00 p.m. (Moncton time) on a Business Day, will be deemed to have been given on such Business Day, and if transmitted by fax after 5:00 p.m. (Moncton time) on a Business Day, will be deemed to have been given on the Business Day after the date of the transmission.

7.5 Time

Time shall, in all respects, be of the essence hereof, provided that the time for doing or completing any matter provided for herein may be extended or abridged by an agreement in writing signed by the Vendors and the Purchaser or by their respective solicitors and approved by the Court as required.

7.6 Currency

All references herein to money amounts are in Canadian currency, unless expressly specified otherwise.

6.5 Survival

The representations and warranties of the Parties hereto contained in this Agreement shall survive Closing.

7.7 Benefit of Agreement

This Agreement shall enure to the benefit of and be binding upon the Parties hereto and their respective successors and permitted assigns, pursuant to the terms and conditions of this Agreement.

7.8 Entire Agreement

This Agreement and the attached Schedules constitute the entire agreement between the Parties with respect to the subject matter and supersede all prior negotiations and understandings. This Agreement may not be amended or modified in any respect except by written agreement executed by the Parties.

7.9 Paramountcy

In the event of any conflict or inconsistency between the provisions of this Agreement, and any other agreement, document or instrument executed or delivered in connection with this Transaction or this Agreement, the provisions of this Agreement shall prevail to the extent of such conflict or inconsistency.

7.10 Severability

If any provision of this Agreement or any document delivered in connection with this Agreement is partially or completely invalid or unenforceable, the invalidity or unenforceability of that provision shall not affect the validity or enforceability of any other provision of this Agreement or such document, all of which shall be construed and enforced as if that invalid or unenforceable provision were omitted. The invalidity or unenforceability of any provision in one jurisdiction shall not affect such provision's validity or enforceability in any other jurisdiction.

7.11 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of New Brunswick and the laws of Canada applicable therein and each of the Parties irrevocably attorns to the non-exclusive jurisdiction of the courts of the Province of New Brunswick. Notwithstanding the foregoing, any and all documents or orders that may be filed, made or entered in the CCAA Proceedings, and the rights and obligations of the Parties thereunder, including all matters of construction, validity and performance thereunder, shall in all respects be governed by, and interpreted, construed and determined in accordance with the CCAA, without regard to the conflicts of law principles thereof. The Parties consent to the jurisdiction and venue of the CCAA Court for the resolution of any such disputes, regardless of whether such disputes arose under this Agreement.

7.12 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement. Transmission by e-mail or facsimile of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart.

The Parties have executed this Agreement.

●

By: ______________________________

Name:

Title:

●

By: ______________________________

Name:

Title:

Schedule A

Assets

1.

Schedule B

Real Property

1.

Schedule C

Assumed Contracts

1.

Schedule D

Approval and Vesting Order

APPENDIX "C"

Revised DIP Term Sheet, with Cover Email

RE: Landdrill -

Jeff Lee to: Ashley Taylor, Buttery, Mary (mbuttery@davis.ca), Alissa Mitchell (amitchell@millerthomson.com), Stephen 17/10/2012 07:55 PM

Cc: "Paul.D.Hickey@ca.ey.com", "Todd.Bethune@ca.ey.com", "'Christopher.Mediratta@ca.ey.com'", Raymond McDougall, "'chris.johnson@crowncapital.ca'

October 17, 2012

Hello, Ash:

In reply to your e-mail inquiry from last night (set out below), I can advise that Crown is still reviewing the Redlined APA and Crown reserves the right to suggest edits and changes to same.

However, pending such review of the redlined APA, and subject to such further edits to the redlined APA as Crown may suggest, **Crown strongly supports the Monitor proceeding to conclude a binding APA on all assets with as soon as possible**.

Crown is proposing that the APA be concluded and executed by the Monitor (in the name of and on behalf of the Applicants) (as Vendor) and on or before Monday, October 22, 2012.

As well, the Applicants have failed to abide by the Sale Process timelines set out in the DIP Term Sheet and are now in default of their obligations under the DIP Term Sheet. Accordingly, the Applicants are not currently in a position to access the DIP Credit Facility.

In order to rectify this situation, and in order to be in a position to reinstate access by the Applicants to the DIP Credit Facility, Crown has instructed us to put forward a revised DIP Term Sheet to reflect these modified Sale Process timelines.

Attached are a redlined version and clean copy of the revised DIP Term Sheet, with edits designed to reflect the modified timelines.

We look forward to receiving comments on the revised DIP Term Sheet from the Applicants, the Monitor, GE and Sprott (in accordance with paragraph 10 of the September 27, 2012 Order of the Court).

Thanks & Regards,

Jeff Lee
Member of the Saskatchewan & Alberta Bar
Direct Line: (306) 975-7136
MacPherson Leslie & Tyerman LLP
Regina | Saskatoon | Calgary | Edmonton
1500, 410 - 22nd Street East
Saskatoon, Saskatchewan
S7K 5T6

Facsimile: (306) 975-7145
Website: www.mlt.com
Email: jmlee@mlt.com
Download vCard

From: Ashley Taylor [mailto:ATAYLOR@stikeman.com]
Sent: Tuesday, October 16, 2012 9:54 PM

To: Buttery, Mary (mbuttery@davis.ca); Jeff Lee; Alissa Mitchell (amitchell@millerthomson.com); Stephen Hutchison (shutchison@stewartmckelvey.com)
Cc: Paul.D.Hickey@ca.ey.com; Todd.Bethune@ca.ey.com; 'Christopher.Mediratta@ca.ey.com'; Raymond McDougall; Ashley Taylor
Subject: Landdrill -

All,

As you know, the Monitor entered into an Exclusivity Agreement with on Monday with respect to assets located in Canada, Mexico and Mongolia. Attached is mark-up of the Template APA covering assets located in all three jurisdictions which was received this evening (blackline is apparently to the Template APA). The Monitor has not completed its review of the APA, but in the interests of time wanted to distribute the mark-up to all concerned forthwith. It is the Monitor's intention to attempt to negotiate an acceptable APA with and bring that APA to Court for approval on an expedited basis. To that end, the Monitor intends to canvass His Lordship as to the Court's availability during the conference call scheduled for this Friday at 1:00pm Atlantic Time. Therefore, in order that we can have an informed discussion with His Lordship, we ask that you notify us as soon as possible and certainly prior to Friday's call as to whether your client supports or opposes the Monitor's intentions and whether your client intends to support or oppose approval of an APA with

Ash.

STIKEMAN ELLIOTT LLP Barristers & Solicitors
5300 Commerce Court West, 199 Bay Street, Toronto, ON, Canada M5L 1B9
www.stikeman.com
TORONTO MONTREAL OTTAWA CALGARY VANCOUVER NEW YORK LONDON SYDNEY

SASKATOON-#1774607-v8-Landdrill_-_Oct. 16, 2012 Draft Modified_DIP_Term_Sheet.docx

SASKATOON-#1774607-v8A-Landdrill_-_October 17, 2012_Redlined DIP_Term_Sheet.docx

Oct. 16/12 DRAFT

AMENDED AND RESTATED TERM SHEET

October 17, 2012

Landdrill International Inc.(a British Columbia corporation)
Landdrill International Ltd. (a New Brunswick corporation)
Landdrill Atlantic Ltd. (a New Brunswick corporation)
Landdrill Contract Mining Ltd. (a New Brunswick corporation)
Landdrill Mexico S.A. de C.V. (a Mexican corporation)
Landdrill International LLC (a Mongolian corporation)
Landdrill International Inc. (a Barbados corporation)
c/o 160 MacNaughton Ave.
Moncton, NB E1H 3L9

Attention: Chief Executive Officer

Dear Sirs:

1. We are pleased to provide our Term Sheet which outlines the terms and conditions upon which Norrep Credit Opportunities Fund, L.P. ("**Norrep" or the "DIP Lender"**), by its agent, Crown Capital Partners Inc. ("**CCP" or the "DIP Agent**"), is prepared to provide a DIP loan to Landdrill International Inc. (a British Columbia corporation) and its subsidiaries, Landdrill International Ltd. (a New Brunswick corporation), Landdrill Atlantic Ltd. (a New Brunswick corporation), Landdrill Contract Mining Ltd. (a New Brunswick corporation), Landdrill Mexico S.A. de C.V. (a Mexican corporation), Landdrill International LLC (a Mongolian corporation) and Landdrill International Inc. (a Barbados corporation) (such seven corporations hereinafter collectively described as the "**Borrower**"). For greater clarity, this Amended and Restated Term Sheet is intended to replace (and to be substituted in the place and stead of) the Term Sheet between Norrep and the Borrower dated August 31, 2012.

Background

2. By means of a Credit Agreement dated March 21, 2012 (the "**Credit Agreement**"), Norrep made available to the Borrower a loan in the principal amount of $8,000,000.00 (the "**Loan**").

3. Norrep holds security in respect of the obligations owed to it by the Borrower pursuant to the Credit Agreement, whereby the Borrower granted to Norrep a security interest in all present and after-acquired property of the Borrower.

4. The Borrower has defaulted in its obligations to Norrep under the Loan and the Credit Agreement (which defaults have not been waived by Norrep).

5. GE Canada Equipment Financing GP ("**GE**") and Sprott Resource Lending Partnership ("**Sprott**") are secured creditors of the Borrower.

6. The Borrower has informed Norrep and CCP that:

   a) the Borrower has suffered and continues to suffer substantial ongoing losses and working capital deficiencies;

   b) the Borrower has entered into an engagement (the "**Clarus Engagement**") with Clarus Securities Inc. ("**Clarus**") to develop, implement and lead a process to market the business of the Borrower (the "**Business**") and all of the assets, property and undertaking of the Borrower (the "**Property**") for sale as a going concern (the "**Sale Process**");

   c) the conditions necessary for the ongoing viability of the Borrower include restructuring its debt and certain operational features of its business, and/or the sale of some or all of the assets of the business and to assist in such restructuring the Borrower intends imminently to seek Court protection and restructuring under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (the "**CCAA**") (the "**Restructuring**");

   d) the Borrower has applied to the Court of Queen's Bench in the Province of New Brunswick (the "**Court**") for an Order (the "**Initial Order**"):

      i. authorizing and approving the DIP Facility (as hereinafter defined), in form and content satisfactory to the DIP Lender and creating a court-ordered priority charge in favour of the DIP Lender on the Property, in order to secure the repayment to the DIP Lender of the DIP Facility (as hereinafter defined) (the "**DIP Lender's Charge**"); and

      ii. appointing Ernst & Young Inc. as monitor (the "**Monitor**") of the Borrower pursuant to the CCAA;

   e) subsequent to obtaining the Initial Order, the Borrower applied to the Court (on notice to all of the secured creditors of the Borrower, including GE and Sprott) for a subsequent Order of the Court (the "**Priming Order**"), in form and content satisfactory to the DIP Lender and providing that the DIP Lender's Charge shall rank in priority to all other secured and unsecured claims against the Property (including, without limitation, the secured claims of GE and Sprott) as well as all liens, charges, mortgages, encumbrances, hypothecs and security interests of every kind and nature whatsoever granted by or against the Borrower or the Property, save and except for the Administration Charge (as defined in the Initial Order) in the amount of $400,000 and the Critical Supplier Charge (as defined in the Initial Order); and

   f) the Borrower is presently suffering a liquidity crisis that threatens the ongoing sustainability of its business operations, has represented that it requires additional working capital funding on an urgent basis and has requested that Norrep provide the Borrower with debtor-in-possession ("**DIP**" financing) for the period of the Restructuring.

7. The Borrower has prepared a cash flow projection attached as Schedule "A" to this Term Sheet for the period to [NTD: DATE], 2012 to project its cash requirements for the presently anticipated duration of the Restructuring (the "**Initial Cash Flow Projection**"). The Borrower may from time to time provide the DIP Lender with an updated cash flow projection (each, a "**Subsequent Cash Flow Projection**") demonstrating its updated cash flow requirements, which shall be in form and substance satisfactory to the DIP Lender, in its

reasonable discretion (the Initial Cash Flow Projection or the most recent Subsequent Cash Flow Projection which has been approved by the DIP Lender or deemed to be approved in accordance with the terms of this DIP Term Sheet, the "**Cash Flow Projection**"). If the DIP Lender does not object to a Subsequent Cash Flow Projection within 2 business days, the Subsequent Cash Flow Projection is deemed to be approved by the DIP Lender for reporting and borrowing purposes.

8. Subject to paragraph 9. hereof, the DIP Lender is prepared to provide a DIP financing facility on the express terms and conditions outlined herein in the amount of $1,500,000.00, provided that such DIP financing facility be used and disbursed for the purposes set forward herein.

<u>Confirmations and Acknowledgements</u>

9. The Borrower confirms, acknowledges and agrees that:

    a) the facts and matters set out in paragraphs 1. to 8. hereof above are true and correct and, without limitation, the Borrower is indebted to Norrep in respect of the Loan and the Credit Agreement; and

    b) except as expressly amended, modified or waived under this Term Sheet, the Credit Agreement and all security, guarantees, and other documents and agreements provided by the Borrower or guarantors thereunder remain in full force and effect, unimpaired and enforceable in accordance with their respective terms and Norrep has not waived, in whole or in part, any default by the Borrower in respect of any term, condition or obligation thereunder.

<u>Description of The DIP Facility</u>

10. Subject to the terms and conditions hereof, the DIP Lender is prepared to advance to the Borrower a C$1,500,000.00 DIP financing facility, being a senior secured super-priority debtor-in-possession revolving operating credit facility in the maximum principal amount of C$1,500,000.00 (the "**DIP Facility**"). The aggregate borrowings under the DIP Facility during any week shall not exceed the forecasted borrowing requirements set forth in the Cash Flow Projection.

<u>Use of Proceeds</u>

11. The proceeds of the DIP Facility may be used by the Borrower to pay:

    a) expenditures provided for in the Cash Flow Projection;

    b) fees and expenses associated with the DIP Facility and fees and expenses associated with the Restructuring generally; and

    c) such other expenditures as Norrep shall have consented to in writing.

<u>Positive Covenants By The Borrower</u>

12. The Borrower covenants that it shall:

a) comply with the reporting obligations of the Borrower specified in the Initial Order;

b) for each calendar week for the period beginning on the date of the granting of the Initial Order and ending on the last day of such week (a "**Calendar Week**"), comply with the Cash Flow Projection in such a manner that its business operations do not experience an adverse permanent variance in actual cumulative net cash flow against the forecast cumulative net cash flow set out in the Cash Flow Projection greater than 10% in any given Calendar Week;

c) offer its full co-operation to the Monitor and Clarus in regard to the Sale Process and work diligently (as requested by the Monitor and Clarus) to facilitate and advance the Sale Process;

d) provide to the DIP Lender an income statement and balance sheet as at the end of each month within 30 days of the end of the month (prepared in accordance with generally accepted accounting principles and/or IFRS, as may be applicable in the circumstances); and

e) ensure that the following objectives are achieved within the Sale Process on or before the following dates, namely:

   i. a binding Agreement of Purchase and Sale of the Business and/or the Property in form and content satisfactory to the DIP Lender (the "**APA**") shall have been prepared and executed by the Monitor (in the name of and on behalf of the Borrower) (as Vendor) and the Proposed Purchaser (and an executed copy thereof shall have been provided to the Monitor and the DIP Lender) on or before October 22, 2012;

   ii. the APA shall have become unconditionally effective (save and except for a condition requiring approval of the APA by the Court) (and written confirmation of the APA having become unconditionally effective shall have been provided to the Monitor and the DIP Lender) on or before October 22, 2012;

   iii. the Court shall have granted an Order approving of the APA (and the transactions contemplated therein) and vesting title in the name of the Proposed Purchaser (the "**Sale Approval Order**"), on or before November 1, 2012; and

   iv. the closing of the sale contemplated by the APA shall have occurred (and written confirmation of the closing of such sale shall have been provided to the Monitor and the DIP Lender) on or before November 8, 2012 (or such other date as may have been agreed to in writing by the Borrower and the DIP Lender).

<u>Negative Covenants By The Borrower</u>

13. The Borrower covenants that it shall not:

a) use the proceeds of the DIP Facility to pay for any expenditures inconsistent with the Cash Flow Projection (except in circumstances where it has first obtained the written consent of the DIP Lender to do so);

b) utilize the proceeds of the DIP Facility to make any expenditure contrary, to or inconsistent with, paragraph 11 hereof;

c) make any payment of sales taxes owing by the Borrower to Her Majesty the Queen in Right of Canada or Her Majesty the Queen in Right of any Province or Territory of Canada in connection with the sale of goods and services by the Borrower which were accrued and collected prior to the date of the Initial Order (other than payments made in accordance with the Initial Order);

d) incur or enter into any debts, liabilities or obligations (including, without limitation, guarantees and contingent obligations) other than as permitted by the Orders of the Court supervising the Restructuring or as may be permitted in writing by the DIP Lender;

e) grant, authorize or permit any of the Property to be encumbered with new or additional mortgages, liens, pledges, charges or encumbrances (save and except as may be permitted or authorized by the Court supervising the Restructuring);

f) [Intentionally Deleted]

g) effect any material change in the Business (without first obtaining the written consent of the DIP Lender to do so);

h) carry out any of the following types of transactions with any person, company or other entity that is not at arm’s length to the Borrower (without first obtaining the written consent of the DIP Lender to do so):

    i. entering into or amending any contract, loan or other advance;

    ii. guarantees;

    iii. investments; and

    iv. acquisitions or mergers;

i) conducting any sale or other disposition of any plans, patents, trademarks, processes, trade secrets, licenses, distribution rights or other industrial or intellectual property of the Borrower other than in the ordinary course of business (without first obtaining the written consent of the DIP Lender to do so);

j) effecting any material change to the compensation practices of the Borrower (without first obtaining the written consent of the DIP Lender to do so); and

k) changing the Borrower’s auditors (without first obtaining the written consent of DIP Lender to do so).

Funding of The DIP Facility

14. Each advance to the Borrower from the DIP Facility (a “**DIP Advance**”) shall be made by the DIP Lender to the Borrower on the business day following receipt by CCP of an irrevocable written request for such DIP Advance in the form of a drawdown certificate in substantially the form set out in Schedule “**B**” hereto (a “**Drawdown Certificate**”), which request shall be

received by CCP not later than 11:00 a.m (Atlantic time) on such business day, provided that all of the conditions precedent set out in this Term Sheet have been satisfied, as determined by the DIP Agent in its reasonable discretion.

15. DIP Advances shall be available in multiple drawings and shall be deposited into a bank account to be designated by the Borrower.

Emergency Draw

16. Notwithstanding the foregoing, to the extent that an emergency cash need arises in the Borrower's business that is not contemplated in the Cash Flow Projection, the Borrower may request a DIP Advance from the DIP Lender by providing written particulars relating to such emergency cash need to the DIP Lender, which DIP Advance shall only be permitted with the consent of the DIP Lender in its sole and absolute discretion. If such requested emergency DIP Advance is so consented to by the DIP Lender, such DIP Advance shall be made from the DIP Facility and deposited into the Borrower's Account.

DIP Facility Termination Date

17. The entire amount outstanding under the DIP Facility, including all accrued and unpaid interest, shall be repaid by the Borrower immediately on the date (the "**DIP Facility Termination Date**") that is the earliest of: (a) November 30, 2012, (b) the date of the closing of the sale of all or substantially all of the Business or the Property within the Restructuring, (c) the date of the termination of the stay period under the Initial Order or Related Orders within the Restructuring, and (d) demand by the DIP Lender made following an Event of Default, provided that such DIP Facility Termination Date may be extended at the request of the Borrower with the consent of the DIP Lender, at its sole discretion, for such period and on such terms as the Borrower and the DIP Lender may agree and as the Court supervising the Restructuring may approve.

Payment of Interest

18. Interest on amounts outstanding under the DIP Facility shall accrue and be payable monthly in arrears at the rate of 15% per annum on outstanding amounts, compounded and payable monthly.

Repayment of Principal

19. Unless otherwise specifically agreed in this Term Sheet, the principal outstanding under the DIP Facility shall be repaid by the Borrower on the DIP Facility Termination Date.

Prepayment

20. The Borrower may prepay any amounts outstanding under the DIP Facility at any time prior to the DIP Facility Termination Date without penalty, provided that the Borrower has provided notice to the DIP Lender of such prepayment on or prior to 11:00 a.m. (Atlantic Time) on the date of such prepayment.

<u>Events of Default</u>

21. The following circumstances shall constitute events of default by the Borrower in regard to its obligations under the DIP Facility (each an "**Event of Default**"), namely:

a) if the Initial Order, the Priming Order or the Sale Approval Order shall have been stayed, varied, amended, modified or restated (without the consent of the DIP Lender);

b) if leave to appeal from the Initial Order, the Priming Order or the Sale Approval Order shall have been granted to or in favour of any party;

c) if a binding APA in form and content satisfactory to the DIP Lender has not been prepared and executed by the Monitor (in the name of and on behalf of the Borrower) (as Vendor) and the Proposed Purchaser (and an executed copy thereof has not been provided to the Monitor and the DIP Lender) on or before October 22, 2012;

d) if the APA has not become unconditionally effective (save and except for a condition requiring approval of the APA by the Court) (and written confirmation of the APA having become unconditionally effective has not been provided to the Monitor and the DIP Lender) on or before October 22, 2012;

e) if the Sale Approval Order has not been granted by the Court (and a copy of the Sale Approval Order has not been provided to the Monitor and the DIP Lender) on or before November 1, 2012;

f) if the closing of the sale contemplated by the APA shall not have occurred (and written confirmation of the closing of such sale shall not have been provided to the Monitor and the DIP Lender) on or before November 8, 2012 (or such other date as may have been agreed to in writing by the Borrower and the DIP Lender).

g) if the DIP Lender determines that the Borrower has failed to comply in all material respects with all applicable laws, regulations and policies in relation to the business of the Borrower other than as may have been expressly allowed by the Court within the Restructuring;

h) if the DIP Lender (in its sole discretion) shall have determined that a material adverse change in the financial condition, operation or prospects of the Borrower has occurred after the issuance of the Initial Order;

i) if the Borrower shall be in breach of one or more of the Positive Covenants set out in paragraph 12 hereof; and

j) if the Borrower shall be in breach of one or more of the Negative Covenants set out in paragraph 13 hereof.

<u>Remedies</u>

22. The Remedies available to the DIP Lender upon the occurrence of an Event of Default shall be as set out in the Initial Order.

Documentation and Security

23. All present and future liabilities and obligations of the Borrower to the DIP Lender under the DIP Facility and otherwise arising hereunder shall be secured and evidenced, as the case may be, by the following documents completed in form and substance satisfactory to the DIP Lender and its counsel (collectively, the "**DIP Security**"):

    a) the Initial Order;

    b) the Priming Order;

    c) a General Security Agreement from the Borrower (if required by the DIP Lender);

    d) a mortgage/charge of land over all of the real property in respect of which the Borrower and has an interest (if required by the DIP Lender);

    e) all supporting authorizations, certificates, acknowledgements and legal opinions as the DIP Lender may reasonably require; and

    f) such further documentation as the DIP Lender and its counsel may reasonably require.

Conditions

24. The obligation of the DIP Lender to make available the DIP Facility is subject to and conditional upon each of the following conditions (the "**Conditions Precedent**") which are for the exclusive benefit of the DIP Lender and, unless waived in writing by the DIP Lender, shall be fulfilled, satisfied and performed prior to the each advance under the DIP Facility:

    a) the written acceptance by the Borrower of this Term Sheet has been obtained by the DIP Lender (prior to the initial draw);

    b) [Intentionally Deleted]

    c) the DIP Lender shall be satisfied that there exists no material litigation against the Borrower that is not stayed by the Initial Order;

    d) the Initial Order shall be in full force and effect and shall not have been reversed, stayed, modified, amended or varied (without the express written consent of the DIP Lender), and no application or motion shall have been made to the Court for any stay, modification or amendment of the Initial Order;

    e) subject to paragraph 24A hereof, the Priming Order shall be in full force and effect and shall not have been reversed, stayed, modified, amended or varied (without the express written consent of the DIP Lender), and no application or motion shall have been made to the Court for any stay, modification or amendment of the Priming Order;

    f) the Borrower shall be in compliance with all of the terms and conditions set forth in this Term Sheet;

    g) no Event of Default shall have occurred; and

h) there shall have been no breach of any covenant or other obligation of the Borrower under or in connection with this Term Sheet.

24A. In the event that a cash need arises in the Borrower's business prior to the Borrower having obtained the Priming Order, the Borrower may request a DIP Advance from the DIP Lender prior to the Borrower having obtained the Priming Order (a "**Pre-Priming Order DIP Advance**") by providing written particulars relating to such cash need to the DIP Lender, which Pre-Priming Order DIP Advance shall only be permitted with the consent of the DIP Lender in its sole and absolute discretion (and which consent the DIP Lender is under no obligation to provide). If such requested Pre-Priming Order DIP Advance is consented to by the DIP Lender, the repayment of such Pre-Priming Order DIP Advance shall be secured by the Credit Agreement and shall be made from the DIP Facility and deposited into the Borrower's Account.

Expenses

25. Regardless of whether or not the transaction contemplated by this Term Sheet is completed, the Borrower shall pay all reasonable out-of-pocket expenses incurred by the DIP Lender in respect of the proposed transaction including (without limitation) legal, registration and filing fees.

Fees

26. A financing fee of five percent (5%) of the $1,500,000 maximum principal amount of the DIP Facility is due and payable to the DIP Lender by the Borrower (and shall irrevocably be deemed to have been earned by the DIP Lender) forthwith upon the granting of the Initial Order.

Deposit

27. The DIP Lender requires a non-refundable deposit of $30,000 (the "**Deposit**"). The Deposit is to be wired to the DIP Lender's bank account forthwith upon the delivery by the Borrower of its written acceptance of this Term Sheet. Upon Closing, the Deposit shall be first applied to the Expenses described in paragraph 25 hereof and second to the Fees described in paragraph 26 hereof. In the event that the DIP Lender does not proceed with the transaction due to circumstances which are in no way a result of the Borrower's actions or the represented credit profile of the proposed DIP Facility, the DIP Lender will return the Deposit to the Borrower (less out-of-pocket expenses).

Closing

28. Subject to the terms and conditions hereof, the parties shall work to close the transaction as soon as reasonably possible.

Exclusivity

29. Upon acceptance of this Term Sheet, the Borrower agrees to work exclusively with the DIP Lender with respect to this financing until after the close of the proposed financing.

<u>Confidentiality</u>

30. The Borrower agrees that the contents of this Term Sheet are strictly confidential and that there will be no disclosure of this Term Sheet or the fact that the Borrower and the DIP Lender are having discussions to any third party without the prior written consent of the DIP Lender.

If the foregoing revised Term Sheet is acceptable to you, please indicate your approval and acceptance of the terms and conditions by signing and returning to us a copy of this document.

We look forward to working with you.

Yours truly,

NORREP CREDIT OPPORTUNITIES FUND, LP, by its agent,
CROWN CAPITAL PARTNERS INC.

Per: ____________________________

Agreed to and accepted this ______ day of October, 2012.

LANDDRILL INTERNATIONAL INC. (a British Columbia corporation)

Per: ____________________________

Agreed to and accepted this ______ day of October, 2012.

LANDDRILL INTERNATIONAL LTD. (a New Brunswick corporation)

Per: ____________________________

Agreed to and accepted this ______ day of October, 2012.

LANDDRILL ATLANTIC LTD. (a New Brunswick corporation)

Per: ____________________________

Agreed to and accepted this ______ day of October, 2012.

LANDDRILL CONTRACT MINING LTD. (a New Brunswick corporation)

Per: ____________________________

Agreed to and accepted this ______ day of October, 2012.

LANDDRILL MEXICO S.A. de C.V. (a Mexico corporation)

Per: ___________________________

Agreed to and accepted this ______ day of October, 2012.

LANDDRILL INTERNATIONAL LLC (a Mongolian corporation)

Per: ___________________________

Agreed to and accepted this ______ day of October, 2012.

LANDDRILL INTERNATIONAL INC. (a Barbados corporation)

Per: ___________________________

Oct. 16/12 DRAFT

SCHEDULE "A"

INITIAL CASH FLOW PROJECTION

SCHEDULE "B"

DRAWDOWN CERTIFICATE

Oct. 16/12 DRAFT

AMENDED AND RESTATED TERM SHEET

~~August 31~~October 17, 2012

Landdrill International Inc.(a British Columbia corporation)
Landdrill International Ltd. (a New Brunswick corporation)
Landdrill Atlantic Ltd. (a New Brunswick corporation)
Landdrill Contract Mining Ltd. (a New Brunswick corporation)
Landdrill Mexico S.A. de C.V. (a Mexican corporation)
Landdrill International LLC (a Mongolian corporation)
Landdrill International Inc. (a Barbados corporation)
c/o 160 MacNaughton Ave.
Moncton, NB E1H 3L9

Attention: ~~Mr. Ron Goguen, CEO~~Chief Executive Officer

Dear Sirs:

1. We are pleased to provide our Term Sheet which outlines the terms and conditions upon which Norrep Credit Opportunities Fund, L.P. ("**Norrep" or the "DIP Lender**"), by its agent, Crown Capital Partners Inc. ("**CCP" or the "DIP Agent**"), is prepared to provide a DIP loan to Landdrill International Inc. (a British Columbia corporation) and its subsidiaries, Landdrill International Ltd. (a New Brunswick corporation), Landdrill Atlantic Ltd. (a New Brunswick corporation), Landdrill Contract Mining Ltd. (a New Brunswick corporation), Landdrill Mexico S.A. de C.V. (a Mexican corporation), Landdrill International LLC (a Mongolian corporation) and Landdrill International Inc. (a Barbados corporation) (such seven corporations hereinafter collectively described as the "**Borrower**"). For greater clarity, this Amended and Restated Term Sheet is intended to replace (and to be substituted in the place and stead of) the Term Sheet between Norrep and the Borrower dated August 31, 2012.

Background

2. By means of a Credit Agreement dated March 21, 2012 (the "**Credit Agreement**"), Norrep made available to the Borrower a loan in the principal amount of $8,000,000.00 (the "**Loan**").

3. Norrep holds security in respect of the obligations owed to it by the Borrower pursuant to the Credit Agreement, whereby the Borrower granted to Norrep a security interest in all present and after-acquired property of the Borrower.

4. The Borrower has defaulted in its obligations to Norrep under the Loan and the Credit Agreement (which defaults have not been waived by Norrep).

5. GE Canada Equipment Financing GP ("**GE**") and Sprott Resource Lending Partnership ("**Sprott**") are secured creditors of the Borrower.

6. The Borrower has informed Norrep and CCP that:

   a) the Borrower has suffered and continues to suffer substantial ongoing losses and working capital deficiencies;

   b) the Borrower has entered into an engagement (the "**Clarus Engagement**") with Clarus Securities Inc. ("**Clarus**") to develop, implement and lead a process to market the business of the Borrower (the "**Business**") and all of the assets, property and undertaking of the Borrower (the "**Property**") for sale as a going concern (the "**Sale Process**");

   c) the conditions necessary for the ongoing viability of the Borrower include restructuring its debt and certain operational features of its business, and/or the sale of some or all of the assets of the business and to assist in such restructuring the Borrower intends imminently to seek Court protection and restructuring under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (the "**CCAA**") (the "**Restructuring**");

   d) the Borrower ~~intends to apply~~has applied to the Court of Queen's Bench in the Province of New Brunswick (the "**Court**") for an Order (the "**Initial Order**"):

      i. authorizing and approving the DIP Facility (as hereinafter defined), in form and content satisfactory to the DIP Lender and creating a court-ordered priority charge in favour of the DIP Lender on the Property, in order to secure the repayment to the DIP Lender of the DIP Facility (as hereinafter defined) (the "**DIP Lender's Charge**"); and

      ii. appointing Ernst & Young Inc. as monitor (the "**Monitor**") of the Borrower pursuant to the CCAA;

   e) subsequent to obtaining the Initial Order, the Borrower ~~intends to apply~~applied to the Court (on notice to all of the secured creditors of the Borrower, including GE and Sprott) for a subsequent Order of the Court (the "**Priming Order**"), in form and content satisfactory to the DIP Lender and providing that the DIP Lender's Charge shall rank in priority to all other secured and unsecured claims against the Property (including, without limitation, the secured claims of GE and Sprott) as well as all liens, charges, mortgages, encumbrances, hypothecs and security interests of every kind and nature whatsoever granted by or against the Borrower or the Property, save and except for the Administration Charge (as defined in the Initial Order) in the amount of $400,000 and the Critical Supplier Charge (as defined in the Initial Order); and

   f) the Borrower is presently suffering a liquidity crisis that threatens the ongoing sustainability of its business operations, has represented that it requires additional working capital funding on an urgent basis and has requested that Norrep provide the Borrower with debtor-in-possession ("**DIP**" financing) for the period of the Restructuring.

7. The Borrower has prepared a cash flow projection attached as Schedule "A" to this Term Sheet for the period to [NTD: DATE], 2012 to project its cash requirements for the presently anticipated duration of the Restructuring (the "**Initial Cash Flow Projection**"). The Borrower may from time to time provide the DIP Lender with an updated cash flow projection (each, a "**Subsequent Cash Flow Projection**") demonstrating its updated cash flow requirements, which shall be in form and substance satisfactory to the DIP Lender, in its

reasonable discretion (the Initial Cash Flow Projection or the most recent Subsequent Cash Flow Projection which has been approved by the DIP Lender or deemed to be approved in accordance with the terms of this DIP Term Sheet, the "**Cash Flow Projection**"). If the DIP Lender does not object to a Subsequent Cash Flow Projection within 2 business days, the Subsequent Cash Flow Projection is deemed to be approved by the DIP Lender for reporting and borrowing purposes.

8. Subject to paragraph 9. hereof, the DIP Lender is prepared to provide a DIP financing facility on the express terms and conditions outlined herein in the amount of $1,500,000.00, provided that such DIP financing facility be used and disbursed for the purposes set forward herein.

Confirmations and Acknowledgements

9. The Borrower confirms, acknowledges and agrees that:

   a) the facts and matters set out in paragraphs 1. to 8. hereof above are true and correct and, without limitation, the Borrower is indebted to Norrep in respect of the Loan and the Credit Agreement; and

   b) except as expressly amended, modified or waived under this Term Sheet, the Credit Agreement and all security, guarantees, and other documents and agreements provided by the Borrower or guarantors thereunder remain in full force and effect, unimpaired and enforceable in accordance with their respective terms and Norrep has not waived, in whole or in part, any default by the Borrower in respect of any term, condition or obligation thereunder.

Description of The DIP Facility

10. Subject to the terms and conditions hereof, the DIP Lender is prepared to advance to the Borrower a C$1,500,000.00 DIP financing facility, being a senior secured super-priority debtor-in-possession revolving operating credit facility in the maximum principal amount of C$1,500,000.00 (the "**DIP Facility**"). The aggregate borrowings under the DIP Facility during any week shall not exceed the forecasted borrowing requirements set forth in the Cash Flow Projection.

Use of Proceeds

11. The proceeds of the DIP Facility may be used by the Borrower to pay:

   a) expenditures provided for in the Cash Flow Projection;

   b) fees and expenses associated with the DIP Facility and fees and expenses associated with the Restructuring generally; and

   c) such other expenditures as Norrep shall have consented to in writing.

Positive Covenants By The Borrower

12. The Borrower covenants that it shall:

a) comply with the reporting obligations of the Borrower specified in the Initial Order;

b) for each calendar week for the period beginning on the date of the granting of the Initial Order and ending on the last day of such week (a "**Calendar Week**"), comply with the Cash Flow Projection in such a manner that its business operations do not experience an adverse permanent variance in actual cumulative net cash flow against the forecast cumulative net cash flow set out in the Cash Flow Projection greater than 10% in any given Calendar Week;

c) offer its full co-operation to the Monitor and Clarus in regard to the Sale Process and work diligently (as requested by the Monitor and Clarus) to facilitate and advance the Sale Process;

d) provide to the DIP Lender an income statement and balance sheet as at the end of each month within 30 days of the end of the month (prepared in accordance with generally accepted accounting principles and/or IFRS, as may be applicable in the circumstances); and

e) ensure that the following objectives are achieved within the Sale Process on or before the following dates, namely:

~~i. the template Confidentiality Agreement (the "**CA**") shall be finalized (and delivered to the Monitor and the DIP Lender) on or before August 31, 2012;~~

~~ii. the population of the electronic on-line data room shall be finalized (and written confirmation of completion of this task shall be provided to the Monitor and the DIP Lender) on or before August 31, 2012;~~

~~iii. the list of approved purchasers (the "**Approved Purchasers**") shall be finalized (and delivered to the Monitor and the DIP Lender) on or before September 5, 2012;~~

~~iv. the CA shall be finalized and distributed to the Approved Purchasers (and written confirmation of completion of this task shall be provided to the Monitor and the DIP Lender) on or before September 5, 2012;~~

~~v. one or more non-binding written expressions of interest regarding a proposed purchase of the Business and/or the Property shall have been obtained by the Borrower and shall have been provided to the Monitor and the DIP Lender on or before September 21, 2012;~~

~~vi. the template precedent definitive agreements required for the sale of the Business and/or the Property shall have been prepared (and delivered to the Monitor and the DIP Lender) on or before October 1, 2012;~~

~~vii.~~i. a binding Agreement of Purchase and Sale of the Business and/or the Property in form and content satisfactory to the DIP Lender (the "**APA**") shall have been prepared and executed by the Monitor (in the name of and on behalf of the Borrower) (as Vendor) and the Proposed Purchaser (and an executed copy thereof shall have been provided to the Monitor and the DIP Lender) on or before October ~~15~~22, 2012;

~~viii.~~ii. the APA shall have become unconditionally effective (save and except for a condition requiring approval of the APA by the Court) (and written confirmation of the APA having become unconditionally effective shall have been provided to the Monitor and the DIP Lender) on or before October ~~15~~22, 2012; ~~and~~

iii. ~~approval of the APA by the Court and~~ the Court shall have granted an Order approving of the APA (and the transactions contemplated therein) and vesting title in the name of the Proposed Purchaser (the "**Sale Approval Order**"), on or before November 1, 2012; and

~~ix.~~iv. the closing of the sale contemplated by the APA shall have occurred (and written confirmation of the closing of such sale shall have been provided to the Monitor and the DIP Lender) on or before November ~~1, 2012.~~8, 2012 (or such other date as may have been agreed to in writing by the Borrower and the DIP Lender).

Negative Covenants By The Borrower

13. The Borrower covenants that it shall not:

a) use the proceeds of the DIP Facility to pay for any expenditures inconsistent with the Cash Flow Projection (except in circumstances where it has first obtained the written consent of the DIP Lender to do so);

b) utilize the proceeds of the DIP Facility to make any expenditure contrary, to or inconsistent with, paragraph 11 hereof;

c) make any payment of sales taxes owing by the Borrower to Her Majesty the Queen in Right of Canada or Her Majesty the Queen in Right of any Province or Territory of Canada in connection with the sale of goods and services by the Borrower which were accrued and collected prior to the date of the Initial Order (other than payments made in accordance with the Initial Order);

d) incur or enter into any debts, liabilities or obligations (including, without limitation, guarantees and contingent obligations) other than as permitted by the Orders of the Court supervising the Restructuring or as may be permitted in writing by the DIP Lender;

e) grant, authorize or permit any of the Property to be encumbered with new or additional mortgages, liens, pledges, charges or encumbrances (save and except as may be permitted or authorized by the Court supervising the Restructuring);

f) [Intentionally Deleted]

g) effect any material change in the Business (without first obtaining the written consent of the DIP Lender to do so);

h) carry out any of the following types of transactions with any person, company or other entity that is not at arm's length to the Borrower (without first obtaining the written consent of the DIP Lender to do so):

i. entering into or amending any contract, loan or other advance;

ii. guarantees;

iii. investments; and

iv. acquisitions or mergers;

i) conducting any sale or other disposition of any plans, patents, trademarks, processes, trade secrets, licenses, distribution rights or other industrial or intellectual property of the Borrower other than in the ordinary course of business (without first obtaining the written consent of the DIP Lender to do so);

j) effecting any material change to the compensation practices of the Borrower (without first obtaining the written consent of the DIP Lender to do so); and

k) changing the Borrower's auditors (without first obtaining the written consent of DIP Lender to do so).

Funding of The DIP Facility

14. Each advance to the Borrower from the DIP Facility (a "**DIP Advance**") shall be made by the DIP Lender to the Borrower on the business day following receipt by CCP of an irrevocable written request for such DIP Advance in the form of a drawdown certificate in substantially the form set out in Schedule "**B**" hereto (a "**Drawdown Certificate**"), which request shall be received by CCP not later than 11:00 a.m (Atlantic time) on such business day, provided that all of the conditions precedent set out in this Term Sheet have been satisfied, as determined by the DIP Agent in its reasonable discretion.

15. DIP Advances shall be available in multiple drawings and shall be deposited into a bank account to be designated by the Borrower.

Emergency Draw

16. Notwithstanding the foregoing, to the extent that an emergency cash need arises in the Borrower's business that is not contemplated in the Cash Flow Projection, the Borrower may request a DIP Advance from the DIP Lender by providing written particulars relating to such emergency cash need to the DIP Lender, which DIP Advance shall only be permitted with the consent of the DIP Lender in its sole and absolute discretion. If such requested emergency DIP Advance is so consented to by the DIP Lender, such DIP Advance shall be made from the DIP Facility and deposited into the Borrower's Account.

DIP Facility Termination Date

17. The entire amount outstanding under the DIP Facility, including all accrued and unpaid interest, shall be repaid by the Borrower immediately on the date (the "**DIP Facility Termination Date**") that is the earliest of: (a) November 30, 2012, (b) the date of the closing of the sale of all or substantially all of the Business or the Property within the Restructuring, (c) the date of the termination of the stay period under the Initial Order or Related Orders within the Restructuring, and (d) demand by the DIP Lender made following an Event of Default, provided that such DIP Facility Termination Date may be extended at the request of the Borrower with the consent of the DIP Lender, at its sole discretion, for such period and

on such terms as the Borrower and the DIP Lender may agree and as the Court supervising the Restructuring may approve.

Payment of Interest

18. Interest on amounts outstanding under the DIP Facility shall accrue and be payable monthly in arrears at the rate of 15% per annum on outstanding amounts, compounded and payable monthly.

Repayment of Principal

19. Unless otherwise specifically agreed in this Term Sheet, the principal outstanding under the DIP Facility shall be repaid by the Borrower on the DIP Facility Termination Date.

Prepayment

20. The Borrower may prepay any amounts outstanding under the DIP Facility at any time prior to the DIP Facility Termination Date without penalty, provided that the Borrower has provided notice to the DIP Lender of such prepayment on or prior to 11:00 a.m. (Atlantic Time) on the date of such prepayment.

Events of Default

21. The following circumstances shall constitute events of default by the Borrower in regard to its obligations under the DIP Facility (each an "**Event of Default**"), namely:

~~a) If the Priming Order has not been granted by the Court within twenty one (21) days following the date of the granting of the Initial Order;~~

~~b)~~a) if the Initial Order~~,~~, the Priming Order or the ~~Priming~~Sale Approval Order shall have been stayed, varied, amended, modified or restated (without the consent of the DIP Lender);

~~c)~~b) if leave to appeal from the Initial Order~~ or~~, the Priming Order or the Sale Approval Order shall have been granted to or in favour of any party~~ in such a manner as to negatively affect the DIP Lender's Charge (or the priority thereof);~~;

~~d) if the list of the Approved Purchasers has not been finalized (~~if a binding APA in form and ~~delivered~~content satisfactory to the ~~Monitor and the~~ DIP Lender~~) on or before September 5, 2012;~~

~~e) if the CA has not been finalized and distributed to the Approved Purchasers (and written confirmation of completion of this task has not been provided to the Monitor and the DIP Lender) on or before September 5, 2012;~~

~~f) if one or more non-binding written expressions of interest regarding a proposed purchase of the Business and/or the Property has not been obtained by the Borrower and has not been provided to the Monitor and the DIP Lender on or before September 21, 2012;~~

~~g) if the template precedent definitive agreements required for the sale of the Business and/or the Property have not been prepared (and delivered to the Monitor and the DIP Lender) on or before October 1, 2012;~~

~~h)~~c) ~~if a binding APA~~ has not been prepared and executed by the Monitor (in the name of and on behalf of the Borrower) (as Vendor) and the Proposed Purchaser (and an executed copy thereof has not been provided to the Monitor and the DIP Lender) on or before October ~~1~~22, 2012;

~~i)~~d) if the APA has not become unconditionally effective (save and except for a condition requiring approval of the APA by the Court) (and written confirmation of the APA having become unconditionally effective has not been provided to the Monitor and the DIP Lender) on or before October ~~15~~22, 2012;

e) ~~if approval of the APA by the Court and~~if the Sale Approval Order has not been granted by the Court (and a copy of the Sale Approval Order has not been provided to the Monitor and the DIP Lender) on or before November 1, 2012;

~~j)~~f) if the closing of the sale contemplated by the APA shall not have occurred (and written confirmation of ~~such~~the closing of such sale shall not have been provided to the Monitor and the DIP Lender) on or before November ~~1~~8, 2012~~;~~ (or such other date as may have been agreed to in writing by the Borrower and the DIP Lender).

~~k)~~g) if the DIP Lender determines that the Borrower has failed to comply in all material respects with all applicable laws, regulations and policies in relation to the business of the Borrower other than as may have been expressly allowed by the Court within the Restructuring;

~~l)~~h) if the DIP Lender (in its sole discretion) shall have determined that a material adverse change in the financial condition, operation or prospects of the Borrower has occurred after the issuance of the Initial Order;

~~m)~~i) if the Borrower shall be in breach of one or more of the Positive Covenants set out in paragraph 12 hereof; and

~~n)~~j) if the Borrower shall be in breach of one or more of the Negative Covenants set out in paragraph 13 hereof.

Remedies

22. The Remedies available to the DIP Lender upon the occurrence of an Event of Default shall be as set out in the Initial Order.

Documentation and Security

23. All present and future liabilities and obligations of the Borrower to the DIP Lender under the DIP Facility and otherwise arising hereunder shall be secured and evidenced, as the case may be, by the following documents completed in form and substance satisfactory to the DIP Lender and its counsel (collectively, the "**DIP Security**"):

    a) the Initial Order;

    b) the Priming Order;

    c) a General Security Agreement from the Borrower (if required by the DIP Lender);

    d) a mortgage/charge of land over all of the real property in respect of which the Borrower and has an interest (if required by the DIP Lender);

    e) all supporting authorizations, certificates, acknowledgements and legal opinions as the DIP Lender may reasonably require; and

    f) such further documentation as the DIP Lender and its counsel may reasonably require.

Conditions

24. The obligation of the DIP Lender to make available the DIP Facility is subject to and conditional upon each of the following conditions (the "**Conditions Precedent**") which are for the exclusive benefit of the DIP Lender and, unless waived in writing by the DIP Lender, shall be fulfilled, satisfied and performed prior to the each advance under the DIP Facility:

    a) the written acceptance by the Borrower of this Term Sheet has been obtained by the DIP Lender (prior to the initial draw);

    b) [Intentionally Deleted]

    ~~c) the Borrower shall have obtained an Initial Order approving the DIP Facility in form and content satisfactory to the DIP Lender in its sole and absolute discretion on or before August 31, 2012;~~

    ~~d)~~c) the DIP Lender shall be satisfied that there exists no material litigation against the Borrower that is not stayed by the Initial Order;

    ~~e)~~d) the Initial Order shall be in full force and effect and shall not have been reversed, stayed, modified, amended or varied (without the express written consent of the DIP Lender), and no application or motion shall have been made to the Court for any stay, modification or amendment of the Initial Order;

    ~~f) subject to paragraph 24A hereof, the Borrower shall have obtained the Priming Order in form and content satisfactory to the DIP Lender in its sole and absolute discretion on or before September 21, 2012;~~

    ~~g)~~e) subject to paragraph 24A hereof, the Priming Order shall be in full force and effect and shall not have been reversed, stayed, modified, amended or varied (without the express written consent of the DIP Lender), and no application or motion shall have been made to the Court for any stay, modification or amendment of the Priming Order;

~~h)~~f) the Borrower shall be in compliance with all of the terms and conditions set forth in this Term Sheet;

~~i)~~g) no Event of Default shall have occurred; and

~~j)~~h) there shall have been no breach of any covenant or other obligation of the Borrower under or in connection with this Term Sheet.

24A. In the event that a cash need arises in the Borrower's business prior to the Borrower having obtained the Priming Order, the Borrower may request a DIP Advance from the DIP Lender prior to the Borrower having obtained the Priming Order (a "**Pre-Priming Order DIP Advance**") by providing written particulars relating to such cash need to the DIP Lender, which Pre-Priming Order DIP Advance shall only be permitted with the consent of the DIP Lender in its sole and absolute discretion (and which consent the DIP Lender is under no obligation to provide). If such requested Pre-Priming Order DIP Advance is consented to by the DIP Lender, the repayment of such Pre-Priming Order DIP Advance shall be secured by the Credit Agreement and shall be made from the DIP Facility and deposited into the Borrower's Account.

Expenses

25. Regardless of whether or not the transaction contemplated by this Term Sheet is completed, the Borrower shall pay all reasonable out-of-pocket expenses incurred by the DIP Lender in respect of the proposed transaction including (without limitation) legal, registration and filing fees.

Fees

26. A financing fee of five percent (5%) of the $1,500,000 maximum principal amount of the DIP Facility is due and payable to the DIP Lender by the Borrower (and shall irrevocably be deemed to have been earned by the DIP Lender) forthwith upon the granting of the Initial Order.

Deposit

27. The DIP Lender requires a non-refundable deposit of $30,000 (the "**Deposit**"). The Deposit is to be wired to the DIP Lender's bank account forthwith upon the delivery by the Borrower of its written acceptance of this Term Sheet. Upon Closing, the Deposit shall be first applied to the Expenses described in paragraph 25 hereof and second to the Fees described in paragraph 26 hereof. In the event that the DIP Lender does not proceed with the transaction due to circumstances which are in no way a result of the Borrower's actions or the represented credit profile of the proposed DIP Facility, the DIP Lender will return the Deposit to the Borrower (less out-of-pocket expenses).

Closing

28. Subject to the terms and conditions hereof, the parties shall work to close the transaction as soon as reasonably possible~~, with a target close date of August 31, 2012~~.

Exclusivity

29. Upon acceptance of this Term Sheet, the Borrower agrees to work exclusively with the DIP Lender with respect to this financing until after the close of the proposed financing.

Confidentiality

30. The Borrower agrees that the contents of this Term Sheet are strictly confidential and that there will be no disclosure of this Term Sheet or the fact that the Borrower and the DIP Lender are having discussions to any third party without the prior written consent of the DIP Lender.

~~**Lapsing Date.**~~

~~31. The proposal set forth in this Term Sheet shall expire in the event that it is not signed and returned to the DIP Lender (together with written confirmation that the Deposit has been wired to the DIP Lender's bank account) by 5:00 p.m. EST on August 31, 2012.~~

If the foregoing revised Term Sheet is acceptable to you, please indicate your approval and acceptance of the terms and conditions by signing and returning to us a copy of this document.

We look forward to working with you.

Yours truly,

NORREP CREDIT OPPORTUNITIES FUND, LP, by its agent,
CROWN CAPITAL PARTNERS INC.

Per: ____________________________

Agreed to and accepted this ______ day of ~~August~~October, 2012.

LANDDRILL INTERNATIONAL INC. (a British Columbia corporation)

Per: ____________________________

Agreed to and accepted this ______ day of ~~August~~October, 2012.

LANDDRILL INTERNATIONAL LTD. (a New Brunswick corporation)

Per: ____________________________

Agreed to and accepted this ______ day of ~~August~~October, 2012.

LANDDRILL ATLANTIC LTD. (a New Brunswick corporation)

Per: ____________________________

Agreed to and accepted this ______ day of ~~August~~October, 2012.

LANDDRILL CONTRACT MINING LTD. (a New Brunswick corporation)

Per: ____________________________

Oct. 16/12 DRAFT

Agreed to and accepted this ______ day of ~~August~~October, 2012.

LANDDRILL MEXICO S.A. de C.V. (a Mexico corporation)

Per: ____________________________

Agreed to and accepted this ______ day of ~~August~~October, 2012.

LANDDRILL INTERNATIONAL LLC (a Mongolian corporation)

Per: ____________________________

Agreed to and accepted this ______ day of ~~August~~October, 2012.

LANDDRILL INTERNATIONAL INC. (a Barbados corporation)

Per: ____________________________

Oct. 16/12 DRAFT

SCHEDULE "A"

INITIAL CASH FLOW PROJECTION

SCHEDULE "B"

DRAWDOWN CERTIFICATE

iRedline Report (3:10 PM 10/17/2012)

Word Source Files:

Original document:	SASKATOON-#1774607-v6-Landdrill_-_August_27__2012_DIP_Term_Sheet.DOCX
Revised document:	(2)SASKATOON-#1774607-v8-Landdrill_-_August_27__2012_DIP_Term_Sheet.DOCX
Revision No:	10

Scheme Source:

Firm Standard Scheme - No Formatting Compared (Global)

Scheme Definitions:

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~~Deleted Text:~~	Font color: Red, Strikethrough, Not Double strikethrough, Priority: 2
Move To:	Double underline, Underline color: Green, Font color: Green, Priority: 2
~~Move From:~~	Font color: Green, Not Strikethrough, Double strikethrough, Priority: 2
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Inserted Cell:	Font: Pattern: Clear (Pale Blue), Priority: 2
Deleted Cell:	

Statistics:

Insertions:	48
Deletions:	80
Moves:	0
Inserted Cells:	0
Deleted Cells:	0
Merged Cells:	0
Split Cells:	0
Total Changes:	128

	Original Document	Revised Document
File name:	SASKATOON-#1774607-v6-Landdrill_-_August_27__2012_DIP_Term_Sheet.DOCX	(2)SASKATOON-#1774607-v8-Landdrill_-_August_27__2012_DIP_Term_Sheet.DOCX
Pages:	14	13
Paragraphs:	171	158
Words:	4,399	4,039
Characters:	22,420	20,681
Characters (with spaces):	26,718	24,633
Lines:	580	538
Sections:	1	1
Date Created:	10/17/2012	10/17/2012
Date Last Saved:	10/17/2012	10/17/2012
Date Last Printed:	8/29/2012	10/17/2012
File size:	656,751 bytes	655,980 bytes