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)

SIXTH REPORT OF THE MONITOR

February 7, 2013

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. On November 13, 2012, the Stay Period was extended until February 15, 2013, subject to the Applicants filing a revised cash flow projection by December 9, 2012, demonstrating that the Applicants would have sufficient liquidity to continue to operate during the Stay Period. The revised cash flow projection was filed on December 7, 2012, and demonstrated sufficient liquidity to operate during the Stay Period.

PURPOSE

3. This Sixth Report of the Monitor (the "**Sixth Report**") is being filed in order to provide the Court with an update on operations, the Sale Process, the Applicants' Updated Cash Flow Projection, and in support of a request for an extension of the Stay Period.

4. The Sixth Report is organized as follows:

   (a) Introduction;
   (b) Purpose;
   (c) Terms of Reference;
   (d) Operational Update;
   (e) Update on Sale Process;
   (f) Updated Cash Flow Projection;
   (g) Payment of Professional Fees;
   (h) Request to Extend the Stay Period; and
   (i) Monitor's Conclusions and Recommendations.

TERMS OF REFERENCE

5. In preparing the Sixth 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 of the Companies ("**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. Expect as noted in the body of this Sixth Report, 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 provided to the Monitor and presented in the Sixth Report or relied upon by the Monitor in preparing the Sixth 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.

6. All references to monetary amounts in the Sixth Report are in Canadian dollars unless otherwise noted.

7. Capitalized terms not defined in the Sixth Report are as defined in the Initial Order and/or the Monitor's previous reports.

8. Copies of the Sixth Report and other court materials in these CCAA proceedings may be obtained from the Monitor's website at www.ey.com/ca/landdrill (the "**Monitor's Website**").

OPERATIONAL UPDATE

9. Landdrill Canada's drilling operations ceased on the completion of the sale of its assets to Major Drilling International ("**Major**"), as discussed in the Fifth Report. Landdrill Mongolia's drilling operations ceased with the onset of winter in Mongolia prior to the sale of its operating assets to a subsidiary of Major. This sale is discussed in more detail

below. As of the date of this Sixth Report, Landdrill Mexico has ten drills operating on customer sites in Mexico.

10. As of the date of this report, approximately 16 Landdrill Canada employees remain including the manager of Landdrill Mexico's drilling operations, eight other employees working in Mexico, the manager of Landdrill Mongolia who is assisting with the wind-down of Landdrill Mongolia and the sale of residual assets in that jurisdiction and six remaining head office personnel.

11. As discussed in the Fifth Report, LLC Landdrill International ("**Landdrill Russia**") currently employs three staff in its office in Khabarovsk, Russia. Landdrill Inc. utilizes the services of a consultant to travel to Russia to liaise with Landdrill Russia's staff and to assist with various business matters. The Monitor understands that there are no ongoing operations in Landdrill Russia. Based on preliminary information provided to the Monitor by the Applicants, it appears that value may be realized from the assets of Landdrill Russia for the stakeholders of Landdrill Canada. The sale process for the assets of Landdrill Russia is discussed in more detail below.

UPDATE ON SALE PROCESS

Major Asset Purchase Agreement

12. On November 14, 2012, the Court approved the Asset Purchase Agreement dated November 6, 2012, between Landdrill Canada, Landdrill Mexico and Landdrill Mongolia, as Vendors, and Major, Major Drilling de Mexico SA de CV and Major Drilling Mongolia XXK, as Purchasers. A copy of the Asset Purchase Agreement, redacted to hide certain financial information, was attached to the Fourth Report as Appendix "**A**". An unredacted copy of the Asset Purchase Agreement was contained in Confidential Appendix "**B**" to the Fourth Report.

13. The Asset Purchase Agreement contemplated the following Transactions:

(a) The Canadian Vendor will sell and the Canadian Purchaser will purchase free and clear of all Encumbrances and of all rights of others, the Canadian Assets in the Canadian Transaction;

(b) The Mongolian Vendor will sell and the Mongolian Purchaser will purchase free and clear of all Encumbrances and of all rights of others the Mongolian Assets in the Mongolian Transaction;

(c) The Mexican Vendor will sell and the Mexican Purchaser will purchase free and clear of all Encumbrances and of all rights of others the Mexican Assets in the Mexican Transaction; and

(d) The Mexican Vendor will sell and the Mexican Purchaser will purchase free and clear of all Encumbrances and of all rights of others the Torex Assets in the Torex Transaction.

Canadian Transaction

14. The Canadian Transaction closed on November 20, 2012. The details of that transaction were described in the Fifth Report.

Mongolian Transaction

15. The Mongolian Transaction closed on December 21, 2012, and the details of that transaction are discussed below. The gross proceeds from the Mongolian Transaction were $918,929, including Mongolian VAT Taxes totalling $83,539, resulting in net proceeds to Landdrill of $835,390. Final proceeds net of taxes were $177,090 less than the Mongolian Purchase Price of $1,012,480 contemplated by section 2.5(c) of the Asset Purchase Agreement as a result of a Purchase Price Adjustment arising from the required pre-closing asset inspection and inventory count as discussed in more detail below.

16. Section 2.9 of the Asset Purchase Agreement outlines the mechanism for the Purchase Price Adjustment. The agreement states that:

> *"if some or all of the Mongolian Assets set forth in Schedule A-3 to the Agreement (the **"Initial Asset List"**) have been lost, stolen, vandalized, transferred or otherwise disposed of (or in the case of Inventory, used in the ordinary course), then the Mongolian Purchase Price will be adjusted downward by an amount equal to 60% of the difference between the book value ascribed to such Assets which are lost, stolen, vandalized, transferred or otherwise disposed of (or in the case of Inventory, used in the ordinary course). In the event that there is Inventory* in situ *in excess of the Mongolian Inventory listed in the Initial Inventory List delivered on the date of the Agreement, then the Mongolian Purchase Price will be adjusted upward by an amount equal to 60% of the book value of such additional Inventory as of the Mongolian Closing Date."*

17. Personnel from Landdrill Mongolia and Major undertook an asset inspection and inventory count in respect of the Mongolian Assets (the "**Inspection**") on December 18 and December 19, 2012 at the Landdrill site in Mongolia. The Monitor and Landdrill Mongolia reconciled and validated all variances between the Inspection and the Initial Asset List and the Initial Inventory List (the "**Mongolian Variances**") which, in accordance with the terms of the Asset Purchase Agreement, formed the basis for any required closing adjustments to the Mongolian Purchase Price. As a result of the Inspection, Major compiled a draft Asset and Inventory Statement which was reviewed by Management who was in agreement with the final results recorded therein.

18. Management indicated that a significant portion of the inventory variances related to inventory sold out of the ordinary course of business by Landdrill Mongolia after the execution of the Asset Purchase Agreement with Major. Landdrill Mongolia received proceeds from these inventory sales that offset the inventory related negative purchase price adjustments of $142,223 (60% of $237,038) arising from the inventory portion of the Mongolian Variances. These out of the ordinary course of business inventory sales were the main factor contributing to the total negative purchase price adjustment of $177,090 referred to above.

19. The Inspection identified numerous missing assets including several old vehicles, generators, pumps, motors and compressors with an aggregate book value of $58,011

which accounted for the remaining $34,866 (60% of $58,011) of the negative purchase price adjustment of $177,090 referred to above. Management indicated that these assets had either been sold or written off in the normal course of business.

The final results of the Inspection resulted in a total Purchase Price reduction of $177,090, being 60% of $295,049.

Mexican Transactions

20. The Asset Purchase Agreement provides that the Torex Transaction may be terminated at any time prior to the Torex Closing Date by the Mexican Vendor for any reason upon 3 Business Days' written notice provided that the Torex Deposit, and all interest, income and earnings thereon will be immediately returned and paid to the Mexican Purchaser by the Escrow Agent upon receipt of such termination notice.

21. As noted in the Fifth Report, on November 13, 2012, the Monitor signed a letter of intent with Mr. Ron Goguen Sr. (or his nominee) with respect to the Torex Assets (the "**Goguen LOI**") providing, among other things, that the parties would attempt to negotiate a purchase agreement with respect to the Torex Assets prior to November 30, 2012, such agreement to be satisfactory to the Monitor and subject to the approval of this Court. This date was extended to January 15, 2013, and further extended to January 22, 2013, at the request of Mr. Goguen to allow additional time to arrange financing. Mr. Goguen was unable to arrange financing and asked the Monitor for a further extension.

22. The Asset Purchase Agreement provides, with respect to the Mexican Transaction and the Torex Transaction, that the obligations of the Mexican Vendor and the Mexican Purchaser thereunder are subject to the conditions that:

> *"...Either an order shall have been issued by a court of competent jurisdiction in Mexico recognizing and giving effect to the Approval and Vesting Order in Mexico, including (a) the approval of this Agreement, the Mexican Transaction and the Torex Transaction, and (b) the vesting in the Mexican Purchaser, upon closing as provided in this Agreement, of all of the right, title and interest of the Mexican Vendor in the Mexican Assets and the Torex Assets free and clear of all Encumbrances and of all rights of others, including, for greater certainty, any claim or liability related,*

> *directly or indirectly, to the Mexican employees of the Mexican Vendor and to any Mexican Tax (other than any Tax payable under Section 2.8) (the "Mexican Order") or the Mexican Purchaser and the Mexican Vendor shall have agreed as to a mutually acceptable process or mechanism in compliance with Mexican law to convey the Mexican Assets to the Mexican Purchaser, free and clear of all Encumbrances and of all rights of others, and any agreed conditions precedent to that process or mechanism shall have been satisfied, and the Mexican Purchaser and Mexican Vendor agree that, if a mutually acceptable process or mechanism is agreed to which requires them to enter into a stand-alone asset purchase agreement, or similar agreement, in addition to this Agreement, that they agree that such stand-alone asset purchase agreement will not affect the enforceability of this Agreement as it relates to any Transaction except for the Mexican Transaction*";

The Asset Purchase Agreement further provides that the Mexican Transaction and the Torex Transaction may be terminated at any time prior to the Mexican Closing Date and the Torex Closing Date if the Mexican Conditions or the Torex Conditions, respectively, are not fulfilled on or before February 15, 2013, or if the closing of the Mexican Transaction or the Torex Transaction, respectively, has not occurred on or prior to February 15, 2013, in accordance with the terms of the Asset Purchase Agreement.

23. The Monitor, after consulting with Mexican counsel, identified two potential legal processes to close the Mexican Transaction and the Torex Transaction. Both processes required an extension of the February 15, 2013, termination date. The Monitor approached Major to confirm that the proposed processes would satisfy the conditions of the Asset Purchase Agreement referred to above and that Major was willing to extend the termination date. On February 5, 2013, Major informed the Monitor that it did not intend to extend the termination date. Without such an extension, it is impossible for the Monitor to close the Mexican Transaction. The Monitor is continuing its discussions with Major in order to determine whether it is possible to preserve the transaction. The Monitor has informed the Senior Lenders and the Applicants of this development.

Sale and/or Collection of Remaining Assets

24. The Monitor and the Applicants have been working cooperatively to realize, for the benefit of the Applicants' stakeholders, the value of the Companies' remaining assets that

were not included in the Asset Purchase Agreement. A brief outline of these efforts follows.

Notre Dame Building

25. The Monitor, with the assistance of the Applicants, listed the Notre Dame Building with a local real estate agent in Notre-Dame, Quebec on January 2, 2013. Any sale arising from the listing will be subject to the approval of this Court. To date, no offers have been received. Upon the advice of the real estate agent, and in consultation with the Applicants, the Monitor has instructed the real estate agent to reduce the price with a view to attracting interested buyers.

The Canadian Trade Accounts Receivable

26. The remaining book value of the Canadian Trade Accounts Receivable is approximately $400,000 comprised entirely of pre-filing amounts. The Monitor understands from discussions with Management that the trade account debtors dispute the validity of the invoices and therefore collection of these pre-filing amounts is challenging. Landdrill Canada, with assistance from the Monitor, will continue its collection efforts on the remaining balances. All of the post-filing Canadian Trade Accounts Receivable balances have been collected by Landdrill Canada.

Moncton Assets

27. As noted in the Fifth Report, the Monitor sought auction proposals for the Moncton Assets from four qualified local auction firms and received four proposals which were shared with the Applicants. Based on the proposals received, the Monitor, after consulting with the Applicants, selected Burden Auctioneers & Liquidators (the "**Auctioneer**"), to conduct the public auction on January 26, 2013.

28. The marketing process and timelines associated with the auction were as follows:

(a) The Auctioneer placed advertisements in the AutoTrader on January 10 and 17, 2013.

(b) The Auctioneer placed advertisements in the Times & Transcript, a Moncton, New Brunswick newspaper, the Telegraph Journal, a Saint John, New Brunswick newspaper and the Fredericton Gleaner, a Fredericton, New Brunswick newspaper on January 23, 2013.

(c) The Auctioneer placed an advertisement on its website on January 6, 2013;

(d) The Monitor posted the Auctioneer's advertisement on the Monitor's Website on January 7, 2013; and

(e) The Auctioneer facilitated site viewings with potential auction participants prior to the auction date.

29. The public auction was held on January 26, 2013, and was attended by over 125 qualified bidders and a representative of the Monitor. The Moncton Assets were divided into over 250 lots or parcels by the Auctioneer. Each lot or parcel was sold over the course of the day.

30. Two creditors of Landdrill Canada asserted security interests against certain of the Moncton Assets as follows:

(a) Ally Credit Canada Limited ("**Ally**") asserted a security interest in two vehicles pursuant to a lease agreement entered into between Ally and Landdrill Canada; and

(b) De Lage Landen Financial Services Canada Inc. ("**De Lage**") asserted a security interest in a forklift pursuant to a lease agreement entered into between De Lage and Landdrill Canada.

31. The Monitor, in consultation with Ally and De Lage, included the potentially secured assets in the auction and set a reserve price for each asset equal to the buy-out amounts provided by Ally and De Lage. The Monitor, Ally and De Lage further agreed that should the Auctioneer obtain a bid greater than the reserve price, the asset would be sold and the secured creditor would be paid the buy-out amount, subject to a satisfactory review of the creditors' security. Should the Auctioneer not obtain a bid greater than the

reserve price then the Monitor would request the asset(s) be repossessed by the secured creditor, subject to a satisfactory security review.

32. The Auctioneer, received bids in excess of the reserve price for each of the three assets and consequently the vehicles and the forklift were sold at the auction.

33. The total net realization to Landdrill Canada from the sale of the Moncton Assets (excluding the three vehicles) after deduction of auctions costs is $82,408.88. The net auction proceeds for the Moncton Assets, when received, will be held by the Monitor pending completion of the security review and are not included in the updated Cash Flow Projection. The net sales proceeds equal to the buy-out amount of $40,817.29 from the sale of the three vehicles will be paid to the respective secured creditors if the results of the security reviews are satisfactory or will be held by the Monitor pending further order of this Court should the results of the security reviews be unsatisfactory.

<u>Mongolian Building</u>

34. The Mongolian Building is situated on land owned by the Mongolian government. The Monitor understands that this is not an unusual practice in Mongolia. The Applicants recently commissioned and received an appraisal of the value of the Mongolian building including the land rights. A majority of the value is attributable to the land rights.

35. Major did not purchase a small quantity of office furniture, shop tools and miscellaneous assets that have minimal book value. Mr. Peter Shortus, the general manager of Landdrill Mongolia, provided the Monitor with his estimate of the market value of this equipment. Given the small amount of residual assets, neither the Monitor nor the Applicants had them appraised.

36. Nine local companies viewed the Mongolian Building. On December 19, 2012, the Monitor received an offer from a local company for approximately 10% of the appraised value citing concerns regarding the transfer of land use certificates.

37. On December 28, 2012, Landdrill Mongolia received an offer from another interested party in excess of the appraised value of the building and the estimated market value of

the remaining equipment (the "**December 28 Offer**"). The Monitor, in consultation with both the Applicants and the Secured Lenders agreed that it would not be necessary to list the Mongolian Building with a real estate agent because the quantum of the December 28 Offer was in excess of the appraised value.

38. While the Monitor was in the process of negotiating a definitive asset purchase agreement in respect of the December 28 Offer, three additional purchasers expressed interest or attempted to make offers in excess of the December 28 Offer. Consequently, the Monitor declined to enter into a binding agreement with the party who made the December 28 Offer and, as described in more detail below, conducted a competitive sales process in order to seek the highest and best offer available.

39. During the time that the Monitor was responding to the December 28 Offer, the Applicants and the Monitor were investigating how to wind up Landdrill Mongolia following the contemplated sale of the Mongolian Building. Mongolian counsel expressed concern at the costs and the length of time it could take to wind up employee, tax and other matters of Landdrill Mongolia once the building, land rights and residual equipment were sold.

40. Based upon the information available to it, the Monitor concluded that conducting a competitive sale by tender of the shares of Landdrill Mongolia (the "**Mongolian Shares**") was the best way to achieve the highest value for the Mongolian Building and to minimize the wind-down costs for Landdrill Mongolia. The sale of the Mongolian Shares would effectively transfer ownership of the subsidiary including the Mongolian Building and Landdrill Mongolia's interest in the land to the purchaser and eliminate the need for the Applicants to wind-down Landdrill Mongolia, reduce wind-down expenses and possibly increase total sale proceeds as Mongolian VAT would not apply to a share transaction.

41. On January 17, 2013, the Mongolian Tender package was sent to all parties that had recently expressed an interest in the Mongolian Building to either the Monitor or to the Applicants. The deadline for submission of tenders was January 24, 2013. The

Mongolian Tender package made it clear that any sale arising from the Mongolian Tender would be subject to the approval of this Court.

42. The Monitor received a number of offers prior to the deadline for submission of tenders in amounts greater than the December 28 Offer. The Monitor is in the process of negotiating a share purchase agreement with one of the tenderers and will return to Court for approval of such transaction once the share purchase agreement has been executed.

Russian Equipment & Inventory

43. The Monitor, with the assistance of the Applicants, is conducting a sale by tender (the "**Russian Tender**") of the Russian Equipment and Inventory. The Russian Tender states that any sale would be subject to approval of this Court.

44. The marketing process and timelines associated with the Russian Tender are summarized below:

(a) The Russian Tender was advertised in the Fredericton Gleaner on February 4, 2013, the National Post on February 6, 2013 and in Russian newspapers as follows:

(i) IZ RUK V RUKI, Irkutsk on February 8, 2013

(ii) PRESENT, Khabarovsk on February 12, 2013

(iii) IZ RUK V RUKI, Khabarovsk on February 13, 2013

(b) The Applicants, with the assistance of the Monitor, developed a list of 11 industry participants in Russia who were then directly notified by email of the Russian Tender;

(c) Landdrill issued a press release on February 5, 2013, through Sedar to notify potential bidders about the Russian Tender;

(d) The Russian Tender was posted on the Monitor's Website on February 4, 2013;

(e) Landdrill Russia's employees will facilitate prospective bidders' viewings of the assets included in the Russian Tender;

(f) Sealed tenders are to be received on or before February 22, 2013, on an "as is, where is" basis, for all or part of the assets included in the Russian Tender, subject to the terms and conditions of sale commonly used in such asset sales, including a 15% deposit;

(g) The date for the Monitor communicating the conditional acceptance of tenders is within 10 days of the opening of the tenders.

Russian Trade Accounts Receivable

45. Landdrill Russia is continuing its efforts to collect the Russian Trade Accounts Receivable of approximately US$500,000 from Prognoz, a Russian subsidiary of Silver Bear Resources Inc., a Canadian company listed on the TSX Venture Exchange. Landdrill Russia is in the process of trying to settle this disputed account and if a settlement is not reached it may proceed with legal action in Russia to effect collection.

Russian Judgment

46. As previously reported, on August 30, 2012, Landdrill Russia obtained a US$1,744,512 court award relating to a dispute with PD RUS, a customer of Landdrill Russia (the "**Russian Judgment**"). Management, with the assistance of the Monitor, continues to evaluate the options available to realize on the Russian Judgment. The judgment was appealed by PD RUS to the Russian Court of Cassation. The matter is scheduled to be heard on February 12, 2013 and the Monitor will report to this Court on any significant developments in this matter as they occur.

UPDATED CASH-FLOW PROJECTION

47. The Applicants, with the assistance of the Monitor, have prepared an updated consolidated cash flow projection to April 14, 2013, including ten weeks of actual results (the "**Updated Projection**") for the purpose of projecting the estimated results of their planned operations and other activities of the Applicants during the Period (as defined in

the Updated Projection). In accordance with paragraph 50 of the Initial Order, which orders that any cash-flow statement or part of a cash-flow statement filed with this Court shall not be released to the public and shall be kept confidential, the Updated Projection is attached hereto as **Confidential Appendix "A"** to this Sixth Report.

48. The Updated Projection is presented on a weekly basis during the Period and represents the estimates of Management of the projected cash-flow during the Period.

49. The Updated Projection has been prepared by Management using the probable and hypothetical assumptions set out in Notes 1 to 19 of the Updated Projection.

50. The Updated Projection projects that the Applicants will have sufficient liquidity to continue operating during the Period without the need to draw on the DIP Loan.

51. The Canadian Association of Insolvency and Restructuring Professionals Standards of Professional Practice include a standard for monitors fulfilling their statutory responsibilities under the CCAA in respect of a monitor's report on a Cash-Flow Statement. A copy of Standard 09-1 Cash Flow Statement was attached as an appendix to the Pre-filing Report of the Proposed Monitor (the "**Standard**").

52. Pursuant to the Standard, the Monitor's review of the Updated Projection consisted of inquiries, analytical procedures and discussion related to information supplied to the Monitor by certain key members of Management and employees of the Applicants. Since hypothetical assumptions need not be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Updated Projection.

53. The Monitor also reviewed the support provided by Management for the probable assumptions and the preparation and presentation of the Updated Projection.

54. Based on the Monitor's review, nothing has come to its attention that causes it to believe that, in all material respects:

    (a) the hypothetical assumptions are not consistent with the purpose of the Updated Projection;

(b) as at the date of this Sixth Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Updated Projection, given the hypothetical assumptions; or

(c) the Updated Projection does not reflect the probable and hypothetical assumptions.

55. Since the Updated Projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no assurance as to whether the Projection will be achieved. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Sixth Report, or relied upon by the Monitor in preparing this Sixth Report.

PAYMENT OF PROFESSIONAL FEES

56. 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. As stated in the Fourth Report, the Applicants had not made regular payments of the weekly invoices of the Professional Firms and as at November 6, 2012, the date of the Fourth Report, invoices of the Professional Firms totalling $331,889.70 were outstanding.

57. Since November 6, 2012, the Applicants paid the above noted outstanding invoices and certain other invoices of the Professional Firms but have not made regular payments of the weekly invoices of the Professional Firms. As at the date of the Sixth Report, the Monitor understands that the following invoices of the Professional Firms totalling $169,152 are outstanding:

(a) Monitor's invoice dated January 15, 2013 for the week ended January 11, 2013 in the amount of $22,326.99;

(b) Monitor's invoice dated January 21, 2013 for the week ended January 18, 2013 in the amount of $17,347.14;

(c) Monitor's invoice dated January 28, 2013 for the week ended January 25, 2013 in the amount of $14,539.89;

(d) Monitor's invoice dated February 4, 2013 for the week ended February 1, 2013 in the amount of $13,181.79;

(e) Monitor's counsel's invoice dated January 18, 2013 for the week then ended in the amount of $31,449.53;

(f) Monitor's counsel's invoice dated January 25, 2013 for the week then ended in the amount of $22,660.39;

(g) Monitor's counsel's invoice dated February 1, 2013 for the week then ended in the amount of $25,051.79;

(h) Applicants' counsel's invoice dated January 18, 2013 for the week then ended in the amount of $15,807.11;

(i) Applicants' counsel's invoice dated January 25, 2013 for the week then ended in the amount of $3,377.72; and

(j) Applicants' counsel's invoice dated January 31, 2013 for the week then ended in the amount of $3,409.65.

58. The Applicants have advised the Monitor that they initiated wire transfers on February 7, 2013, the date of this Sixth Report, in payment of the above referenced outstanding invoices of the Professional Firms totalling $169,152 less $14,487.14 withheld from the Monitor's counsel's invoices listed above.

REQUEST TO EXTEND THE STAY PERIOD

59. Paragraph 28(j) of the Initial Order provides that the Monitor shall:

> *"have and exercise sole and exclusive authority (in the name of and on behalf of the Applicants, but in consultation with the Senior Lenders), to determine whether and to what extent an extension of the Stay Period will be sought from the Court (and, if so, the length of any such extension request);"*

60. The current stay of proceedings under the Initial Order expires on February 15, 2013. After consulting with the Applicants and the Senior Lenders, the Monitor has determined that an extension of the Stay Period until April 8, 2013, is appropriate. An extension of the Stay Period is required in order to allow the Applicants and the Monitor to complete the sales of the residual assets of Landdrill Canada, Landdrill Russia and Landdrill Mongolia, to continue to consult with the Applicants and the Senior Lenders regarding the Mexican Assets and the Torex Assets and to continue its discussions with Major in order to determine whether it is possible to preserve the Mexican Transaction and the Torex Transaction.

61. The Updated Projection indicates that the Applicants will have sufficient liquidity to operate during the proposed Stay Period without the need for DIP financing.

MONITOR'S CONCLUSIONS AND RECOMMENDATIONS

62. The Monitor is of the view that the Applicants have acted in accordance with the Initial Order, in good faith and with due diligence, other than the non-payment of the invoices of Professional Firms as described in this Sixth Report, and, in the Monitor's opinion, circumstances exist which make the extension of the stay appropriate.

63. For the reasons enumerated in the Sixth Report, the Monitor recommends that this Court approve:

(a) The extension of the Stay Period to April 8, 2013; and

(b) The sealing of the Confidential Appendix to the Sixth Report.

ALL OF WHICH is respectfully submitted this 7th day of February, 2013.

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