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)

NINTH REPORT OF THE MONITOR

March 11, 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. The Stay Period was further extended by the Court from November 2, 2012, until November 13, 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 have sufficient liquidity to continue operating during the Stay Period. A revised cash flow projection was filed on December 7, 2012, and demonstrated sufficient liquidity to operate during the Stay Period. On February 15, 2013, the Stay Period was further extended until and including April 8, 2013.

PURPOSE

3. This Ninth Report of the Monitor (the "**Ninth Report**") is being filed in relation to the Monitor's motion for an Order approving a procedure (the "**D&O Claims Solicitation Procedure**") for the solicitation of D&O Claims, as that term is defined in the draft D&O Claims Solicitation Procedure Order (the "**D&O Claims Solicitation Order**") attached hereto as Appendix "A", against the directors and officers of the Applicants (the "**Directors and Officers**"), if any. The Ninth Report is also being filed for the purpose of providing information to this Court with respect to amounts presently being held by the Monitor in its trust accounts pending a future distribution motion.

TERMS OF REFERENCE

4. In preparing the Ninth 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. Except as noted in the body of this Ninth 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 Ninth Report or relied upon by the Monitor in preparing the Ninth 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. All references to monetary amounts in the Ninth Report are in Canadian dollars unless otherwise noted.

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

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

DISTRIBUTION

8. The Monitor has been approached by a number of creditors inquiring as to the timing of a distribution of proceeds. The proceeds presently being held by

the Monitor in its trust accounts that will be subject to a distribution motion total $5,008,786.28, including interest to February 28, 2013 and less bank charges, and is comprised of the following:

(a) Sale of Landdrill Canada's assets to Major: $4,070,869.09;

(b) Sale of Landdrill Mongolia's assets to Major: $824,917.12; and

(c) Moncton Auction Proceeds - $113,000.07.

9. In addition to the above trust amounts, the Monitor holds in its trust accounts the following amounts:

(a) $100,605.00 deposit it received from the purchaser of the shares of Landdrill Mongolia; and

(b) QST of $257,776.60 and HST of $303,774.30 received from Major in relation to its purchase of Landdrill Canada's assets, and $15,001.84 of HST received in relation to the Moncton Auction. The Monitor is in the process of arranging for these amounts to be remitted to the appropriate tax authorities.

10. At the time of any distribution, a reserve would have to be made for the super-priority Court-ordered charges created by the Initial Order: the Administration Charge (capped at $400,000), the Critical Supplier Charge (uncapped), the DIP Lender's Charge (capped at $1,500,000 plus applicable interest) and the Directors' Charge (capped at $1,000,000).

11. The costs secured by the Administration Charge, the professional fees of the Applicants' counsel, the Monitor, the Monitor's counsel in Canada and the Monitor's counsel outside Canada (collectively, the "**Professional Firms**") have not been paid on a timely basis during these Proceedings as described in the Fourth Report of the Monitor dated November 6, 2012, the Sixth Report of

the Monitor dated February 7, 2013 and the Eighth Report of the Monitor dated March 5, 2013. Unless the fees of the Professional Firms are paid on a weekly and regular basis, and unless the activity levels of the Professional Firms are low at the time of any proposed distribution and are expected to remain low thereafter, the Monitor may need to reserve up to the full amount of the Administration Charge to ensure payment of such fees.

12. The Monitor has been advised by the Applicants that the Critical Suppliers, five Canadian suppliers listed at Schedule "A" of the Initial Order, were paid in the ordinary course during the CCAA process.

13. On January 8, 2013, the Applicants wrote to each of the Critical Suppliers stating that the books and records of the Applicants did not show any amounts outstanding to each Critical Supplier as at December 15, 2012, and asking each to confirm in writing that no amounts were outstanding for goods and services provided since the date of the Initial Order. A copy of one of the letters to the Critical Suppliers is attached hereto as Appendix "**A**" (the "**Critical Supplier Letter**"). As at the date of the Ninth Report, only one Critical Supplier has responded, indicating that no amount was outstanding to it. The Applicants have not advised the Monitor of having received any responses from the other Critical Suppliers.

14. The only Applicant that conducted drilling operations after December 15, 2012 is Landdrill Mexico. Consequently, at this time, it appears that no amount needs to be secured by the Critical Supplier Charge in respect of Landdrill Canada or Landdrill Mongolia.

15. As stated in the Critical Supplier Letter, the Applicants intend to bring a motion on or after January 16, 2013 (the "**Critical Supplier Motion**"), for an order releasing the Critical Supplier Charge. Prior to any distribution or the Critical Supplier Motion, the Monitor expects it will again be necessary for

the Applicants to confirm the amounts, if any, owing to each Critical Supplier, particularly in respect of Landdrill Mexico's operations. The results of such confirmation process will indicate the amount of a Critical Supplier reserve, if any, that might be necessary.

16. The Applicants have not drawn upon the DIP and it does not appear that they will require DIP financing prior to April 8, 2013, based on the Updated Projection filed with the Sixth Report. Therefore, at the time of any distribution, and subject to any additional updated cash flow projections filed with this Court in support of any further extension of Stay Period, it is possible that there will not be any amount secured by the DIP Lenders' Charge and therefore it is possible that no reserve will be required in relation thereto.

CLAIMS PROCEDURE

17. In order to be able to make a distribution without reserving for the full amount of the Directors' Charge, normal practice in CCAA proceedings is to implement a D&O claims solicitation procedure with a Claims Bar Date and determine what, if any, claims may exist against the Directors and Officers (the "**D&O Claims**") that trigger the indemnity set forth at paragraph 24 of the Initial Order secured by the Directors' Charge.

18. The Monitor has been asked to establish a D&O Claims Solicitation Procedure calling for the filing of claims against the Directors and Officers. The proposed D&O Claims Solicitation Procedure has been reviewed by the Senior Lenders and the Applicants and is intended to allow the Monitor to efficiently and effectively ascertain the number and quantum of any D&O Claims.

19. Capitalized terms used in this section of the Ninth Report but not otherwise defined are as defined in the D&O Claims Solicitation Order.

CLAIMS SOLICITATION PROCEDURE

20. Pursuant to the D&O Claims Solicitation Order, the proposed D&O Claims Bar Date, which applies to all D&O Claims, is 5:00 p.m. Atlantic Daylight Savings Time on April 15, 2013.

21. The key steps of the D&O Claims Solicitation Procedure are summarized as follows:

    (a) A Notice of D&O Claims Solicitation Procedure and D&O Claims Bar Date (the "**Notice**") will be published in each of (i) the *Globe and Mail* (national edition), (ii) the *Times & Transcript*, (iii) the *Telegraph Journal* and (iv) the *Daily Gleaner*, and will be distributed via the Canada Newswire, as soon as practicable after the granting of the D&O Solicitation Order;

    (b) The Notice will be posted on the Monitor's Website and the Applicants' Website as soon as practicable after the granting of the D&O Solicitation Order;

    (c) Any Person that wishes to assert a D&O Claim must submit proof of such D&O Claim to the Monitor in the prescribed manner, together with all relevant supporting documentation in respect of such D&O Claim, on or before the D&O Claims Bar Date or such later date as may be ordered by the Court, failing which such D&O Claim shall be barred and extinguished.

MONITOR'S CONCLUSIONS AND RECOMMENDATIONS

22. The Monitor is of the view that the D&O Claims Solicitation Procedure is appropriate, fair and reasonable in the circumstances and supports and recommends its approval by the Court.

ALL OF WHICH is respectfully submitted this 11th day of March, 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