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)

SEVENTH REPORT OF THE MONITOR

February 13, 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 Seventh Report of the Monitor (the "**Seventh Report**") is being filed in support of a motion by the Monitor for an order approving the Share Purchase Agreement and the Transaction contemplated therein (as those capitalized terms are defined below).

4. The Seventh Report is organized as follows:

   (a) Introduction;
   (b) Purpose;
   (c) Terms of Reference;
   (d) Proposed Mongolian Share Transaction; and
   (e) Monitor's Conclusions and Recommendations.

TERMS OF REFERENCE

5. In preparing the Seventh 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 Seventh 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 Seventh Report or relied upon by the Monitor in preparing the Seventh 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 Seventh Report are in Canadian dollars unless otherwise noted.

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

8. Copies of the Seventh 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**").

PROPOSED MONGOLIAN SHARE TRANSACTION

9. On November 14, 2012, the Court approved an asset purchase agreement dated November 6, 2012, between Landdrill Canada, Landdrill Mexico and Landdrill Mongolia, as vendors, and Major Drilling International, Major Drilling de Mexico S.A. de C.V. and Major Drilling Mongolia XXK ("**Major Mongolia**"), as purchasers.

10. Major Mongolia purchased substantially all of Landdrill Mongolia's operating assets. However, Major Mongolia did not purchase the Mongolian Building or a small quantity of office furniture, shop tools and miscellaneous assets of Landdrill Mongolia having minimal book value (the "**Remaining Assets**"). Mr. Peter Shortus, the general manager of Landdrill Mongolia, provided the Monitor with his estimate of the market value of the Remaining Assets. Given the limited number of, and minimal book value associated with, the Remaining Assets, neither the Monitor nor the Applicants believe that a formal appraisal of these assets is necessary or desirable.

11. As described in previous reports, 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 held by Landdrill Mongolia. A majority of the value of the Mongolian Building is attributable to the land rights granted to and held by Landdrill Mongolia.

The Mongolian Tender Process

12. Paragraphs 13 to 17 below are also contained in the Sixth Report of the Monitor dated February 7, 2013, and are included below for ease of reference.

13. 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.

14. 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.

15. 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 (the "**Mongolian Tender Process**") in order to seek the highest and best offer available.

16. 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.

17. 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.

18. Following discussions with the Applicants and Senior Lenders, on January 17, 2013, the Mongolian Tender Process package was sent by the Monitor 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 binding offers was January 24, 2013. The Mongolian Tender Process package stated that any sale arising from the Mongolian Tender Process would be subject to the approval of this Court. A copy of the Mongolian Tender Package is attached hereto as Appendix '**A**'.

19. The Monitor received a number of offers prior to the deadline for submission of tenders which were each in excess of the December 28 Offer. On January 24, 2013, a draft share purchase agreement was provided to the highest bidder. The highest bidder requested that the deadline to provide a deposit be extended to January 30, 2013, which request was granted by the Monitor. As of February 4, 2013, no deposit had been received from the highest bidder and efforts at further communication with such bidder were unsuccessful.

20. Consequently, on February 4, 2013, the Monitor contacted the second highest bidder to determine its interest in executing a share purchase agreement and, on February 5, 2013, the Monitor countersigned the signed binding offer received from the second highest bidder, Mr. Bat-Erdene Batkhuyag (the "**Mongolian Purchaser**"). Subsequently, the

Monitor, through its Mongolian counsel, negotiated a definitive share purchase agreement (the "**Share Purchase Agreement**") with the Mongolian Purchaser in respect of the Mongolian Shares, subject to the approval of this Court.

The Share Purchase Agreement

21. The Monitor, on behalf of Landdrill Mongolia (the "**Seller**"), and the Mongolian Purchaser executed the Share Purchase Agreement on February 13, 2013. A copy of the Share Purchase Agreement, redacted for certain financial information, is attached hereto as Appendix "**B**". An unredacted copy of the Share Purchase Agreement is contained in Confidential Appendix "**A**" to the Seventh Report. The Monitor requests that the Confidential Appendix be sealed by order of this Court.

22. All undefined capitalized terms used in this section of the Seventh Report shall have the meanings given to them in the Share Purchase Agreement.

Purchase Price

23. Pursuant to Section 1 of the Share Purchase Agreement, the Seller agrees to sell, and the Mongolian Purchaser agrees to purchase, the Mongolian Shares for the Purchase Price. Section 3.2 provides, among other things, that the Mongolian Shares are purchased and sold on an "as is, where is" basis.

Deposit

24. Section 2 of the Share Purchase Agreement provides that the Mongolian Purchaser shall pay a deposit in the amount of 10% of the Purchase Price upon execution of the Share Purchase Agreement but not later than February 13, 2013. The balance of the Purchase Price is payable at Closing. Given the time zone difference between Canada and Mongolia, the Monitor expects to be sent the Deposit from the Mongolian Purchaser late in the evening on February 13, 2013 and to receive it in due course.

Closing Date

25. As described in greater detail in Section 5 of the Share Purchase Agreement, Closing is subject to receipt by the Seller of an order issued by this Court approving the Share

Purchase Agreement and the Transaction and vesting in the Mongolian Purchaser all of the right, title and interest of the Seller in the Mongolian Shares, free and clear of all encumbrances (the "**Court Order**"). Closing is scheduled to take place promptly in accordance with Mongolian law following receipt by the Seller of the Court Order and in any event prior to March 29, 2013, or such other date as the parties may agree to in writing (the "**Outside Date**").

<u>Termination</u>

26. The Share Purchase Agreement may be terminated pursuant to Section 6 thereof by notice in writing given at or prior to the Closing: (a) by mutual consent of the Seller and the Mongolian Purchaser, (b) by either Party, if the other party is in material breach of the Share Purchase Agreement and such breach has not been cured within three days following notice of such breach by the non-offending party; or (c) by either Party, if Closing has not occurred by the Outside Date unless such delay is caused by the Party desiring to terminate.

27. Section 6 of the Share Purchase Agreement also provides that if the Share Purchase Agreement is terminated for any reason other than due to a material breach of the Share Purchase Agreement by the Seller, or if Closing does not occur by the Outside Date due primarily to the actions of the Seller, the Mongolian Purchaser shall forfeit the Deposit to the Seller as liquidated damages.

MONITOR'S CONCLUSIONS AND RECOMMENDATIONS

28. The Monitor believes that the Mongolian Tender Process:

    (a) Was a professionally-conducted competitive process that effectively dealt with the situation of multiple potential purchasers;

    (b) Was reasonable in the circumstances;

    (c) Has resulted in the highest and/or best net realization in respect of the Mongolian Shares and therefore the underlying Mongolian Building and Remaining Assets; and

(d) Resulted in a Purchase Price to be received for the Mongolian Shares that is reasonable and fair, taking into account the appraised market value of the Mongolian Building, including the land rights held by Landdrill Mongolia and the estimated value of the Remaining Assets.

29. The Monitor recommends and seeks Court approval of the Share Purchase Agreement and the Transaction contemplated therein.

30. For the reasons enumerated in the Seventh Report, the Monitor recommends that this Court approve an order:

(a) Approving the Share Purchase Agreement;

(b) Authorizing the Monitor to execute the Share Purchase Agreement for and on behalf of Landdrill International Ltd.;

(c) Authorizing and directing either the applicable Applicant or the Monitor to execute all ancillary documents, resolutions, certificates and agreements necessary to approve and complete the Transaction contemplated by the Share Purchase Agreement; and

(d) The sealing of the Confidential Appendix to the Seventh Report.

ALL OF WHICH is respectfully submitted this 13th day of February, 2013.

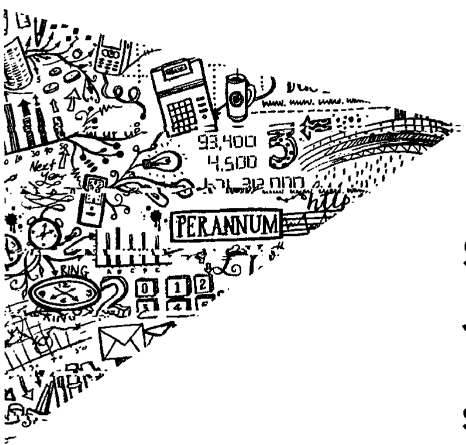
ERNST & YOUNG INC.
In its capacity as the Court-appointed Monitor of Landdrill International Inc., a British Columbia corporation, Landdrill International Ltd., a New Brunswick corporation, Landdrill Atlantic Ltd., Landdrill Contract Mining Ltd., a New Brunswick corporation, Landdrill Mexico S.A. de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

APPENDIX A



Sale by Tender Letter

January 2013

Shares of Landdrill International LLC

ERNST & YOUNG

Quality In Everything We Do

Landdrill International LLC
Ulaanbaatar Mongolia

PROPOSED TRANSACTION

Ernst & Young Inc., in its capacity as court appointed monitor (the "**Monitor**"), on behalf of Landdrill International Inc. (the "**Shareholder**"), which is the sole shareholder of Landdrill International LLC ("**Landdrill**" or the "**Company**"), is conducting a sale by tender process on behalf of the Shareholder to sell all of the outstanding shares (the "**Shares**") of the Company. The assets of the Company primarily consist of its interest in the 540 square meter workshop and 864 square meter garage (Certificate #000174587, State registration #Y-2206007206) located on the 9,448 square meter land area (Land Use Certificate #0001199) at its location Ajilchnii Gudamj-165, 167, Khan-Uul District, 3rd Khoroo, Ulaanbaatar, Mongolia and those assets situate on the property, including office furniture and miscellaneous shop equipment (the "**Assets**").

This invitation for offers (the "**Tender Letter**") has been prepared by the Monitor based on information provided by or on behalf of the Shareholder and the Company. The sole purpose of this Tender Letter is to assist the recipients in deciding whether to submit a binding offer ("**Offer**") for the acquisition of all of the Shares of the Company or possibly the acquisition of all of the Assets of the Company (in each respect, a "**Proposed Transaction**"). This Tender Letter does not purport to contain all of the information that a prospective purchaser may require or desire in order to evaluate all of the factors it considers relevant to a decision to submit an Offer with respect to a Proposed Transaction.

Ernst & Young Inc. was appointed the court appointed monitor of the Shareholder and the Company and certain of their affiliates by an Initial Order of the Court of Queen's Bench of New Brunswick on August 31, 2012. The Monitor's involvement in this tender process is limited to its role as court appointed monitor of the Shareholder and the Company.

In connection with your interest in a Proposed Transaction, the Monitor, the Company and Shareholder may provide you with certain information which is non-public, confidential, personal or proprietary in nature. Any information provided to you relating to the Company or its affiliates or any of its business, operations, assets, liabilities, plans, prospects, properties or affairs which has been or is disclosed to you (whether written, oral or otherwise), and any notes, reports, studies or other documents prepared by or on your behalf, including this Tender Letter and the fact that the Company and Shareholder are considering the Proposed Transaction (the "**Information**") shall be kept confidential by you and not disclosed in any manner whatsoever, unless required by law. In addition, you shall use such Information solely to evaluate the Proposed Transaction and not for any other purpose. You shall destroy all such Information provided to you promptly upon request by the Monitor or the Company.

Sealed tenders will be received by the Monitor until 5:00 p.m. (ULAT) on 24 January 2013 in respect of the Proposed Transaction.

No representation or warranty, express or implied, is or will be given by the Shareholder, the Company, the Monitor or their respective directors, employees, agents, representatives or any other person as to the accuracy, completeness or fairness of the information in this Tender Letter and no responsibility or liability is accepted for the accuracy, completeness, fairness or sufficiency of such information or for any errors, omissions or mis-statements, negligent or otherwise, relating to such information. Only those representations and warranties which may be made by the Shareholder in a Definitive Agreement (as defined below), if one is executed, will, subject to the limitations and restrictions specified therein, have any legal effect. This Tender Letter does not constitute an offer to enter into a Proposed Transaction. By submitting an Offer, you acknowledge the foregoing and confirm that your decision to submit an Offer is based solely upon your own investigations with respect to the Company and its operations.

None of the Shareholder, the Company or the Monitor undertakes any obligation to provide the recipients of this Tender Letter with access to any additional information or to update or otherwise revise the information in this Tender Letter or any other information which may be supplied to any recipient or to correct any inaccuracies in any information which may become apparent.

The Monitor reserves the right to negotiate with one or more prospective purchasers at any time and to enter into a Definitive Agreement in respect of the Proposed Transaction, or any other transaction related to the Company, without prior notice to the recipients or other prospective purchasers. The Monitor also reserves the right to terminate, at any time, discussions with any prospective purchasers and to terminate further participation in the investigation and sale process by any party and to modify any procedure for the Proposed Transaction without giving advance notice or providing any reasons for the termination or modification.

Recipients are not to construe the contents of this Tender Letter or any prior, contemporaneous or subsequent communications from the Shareholder, the Company or the Monitor, as legal, investment, tax or other advice. Each recipient should consult its own advisors as to legal, investment, tax and other matters concerning the Company and the business of the Company.

All communications and inquiries relating to the Company or the procedures relating to the Proposed Transaction should be directed to one of the individuals at the Monitor listed below. Recipients and their agents, representatives, advisors, directors and employees are prohibited from contacting or attempting to contact directly or indirectly any directors, employees, agents, representatives, creditors, customers or suppliers of the Shareholder or the Company.

OFFERS

The remainder of this Tender Letter includes a brief description of the procedure and process with respect to your submission of a final and binding Offer in the form of Appendix "A" with respect to the Proposed Transaction. Please review the following procedure and process carefully, and note that your Offer must comply with the terms and conditions set forth herein. Certain recipients may be given an opportunity to undertake further due diligence investigations prior to execution of a definitive purchase agreement ("**Definitive Agreement**") in respect of the Proposed Transaction.

The Definitive Agreement, if any, will: (a) indicate that the Shares or Assets are being sold "as is, where is", and that the purchaser shall therefore be deemed to have inspected the Assets (including title interest in the Assets) and accepted the Assets in their present state and condition without reserve of any kind, and that the Shareholder and Company will make no representation or warranty of any kind with respect to the Assets; (b) indicate that the purchaser shall be responsible for any: (i) taxes payable in respect of the Proposed Transaction, and (ii) any the cost of any land transfer or other regulatory or governmental approvals in respect of the Proposed Transaction; (c) indicate that closing of the Proposed Transaction will be subject to approval of the Court of Queen's Bench of New Brunswick; (d) be governed by Mongolian law; and (e) include standard conditions and terms for a transaction of this nature.

Your Offer should be in the form of Appendix "A" hereto and, at a minimum, contain the following:

- Purchase Price. The consideration (in cash) that you are willing to pay for the Shares, plus any applicable taxes, based on the information in this Tender Letter. Please include details regarding any assumptions and material contingencies that you have taken into account in arriving at your proposed purchase price.

- Financing. A description of your proposed source of financing (and timing for obtaining) such financing and, in the event that you require external financing, please include the names of the source(s) that will be providing such financing.

- Acquiring Entity. Describe the entity which would sign a Definitive Agreement to purchase the Shares, including a list of shareholders and the general size and nature of the operations of the entity.

- Due Diligence Requirements. A description of any information that you anticipate requiring in order to complete your due diligence investigation of the Company, including the Assets and the real property interest of the Company.

- Conditions of Closing. A description of any regulatory or other approvals or third party consents that you feel may be required in connection with your purchase of the Shares.

- Timing. An estimate of timing for the execution of a Definitive Agreement and closing of the Proposed Transaction.

- Your Team. A list of the names and contact information of the persons within your organization with whom we may contact in respect of your Offer.

The Monitor intends to evaluate all Offers as quickly as possible following their submission, and to negotiate and arrange for execution (by the Shareholder and/or by the Monitor for and on behalf of the Shareholder) a definitive share purchase agreement as quickly as possible after such evaluations are completed. The Offer, if any, which is accepted by the Monitor, for and on behalf of the Shareholder will be subject to approval of the Court of Queen's Bench of

New Brunswick. In this connection, you and your advisors should be prepared to meet on short notice, and your Offer should, at a minimum, remain in effect for 20 days from the deadline for making submissions as set forth below.

Deposits accompanying Offers which are not accepted, or for which Court approval is not obtained will be returned to the offeror. If however, you fail to comply with the terms of this Tender Letter, the deposit shall be forfeited to the Monitor, for and on behalf of the Shareholder on account of liquidated damages and the Shares may be resold by the Shareholder. In addition, the purchaser shall pay and be liable to the Monitor, for and on behalf of the Shareholder for (i) an amount equal to the amount, if any, by which the purchase price under the Offer exceeds the net purchase price received by the Monitor pursuant to such resale; and (ii) an amount equal to all costs and expenses incurred by the Monitor, the Company or Shareholder in respect of or occasioned by the offeror's failure to comply with the terms of this Tender Letter.

The Monitor reserves the right in its sole discretion to accept or reject any or all Offers, and to modify or terminate this process at any time without specifying any reasons. The Monitor will notify you in the event that it elects to terminate this process.

Your Offer will constitute a legally binding agreement from you to complete the transactions set out in your Offer in accordance with the terms set out therein. All costs and expenses incurred by you in connection with your submission of an Offer and in respect of any resulting negotiations and agreements, including legal and accounting charges, will be borne by you.

If you are interested in submitting a Offer, please forward such Offer to the Monitor at the address below, by email, on or prior to 5:00 pm (ULAT) on 24 January 2013. In the meantime, please do not hesitate to contact the Monitor if you have any questions or comments with respect to this process in general or with respect to the information contained herein. We remind you that you are not to contact the customers, suppliers, employees, directors, officers, agents or other representatives of the Company or the Shareholder without the prior written consent of the Monitor.

DATED this 17th day of January 2013.

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Information requests and submissions of Offers to:

Ernst & Young Inc., in its capacity as
court appointed Monitor of
Landdril International Inc. et. *al.*
222 Bay Street
Toronto, Ontario M5K 1J7 Canada
Office: +1-416-941-1769

Attention: Christopher Mediratta
Email: christopher.mediratta@ca.ey.com

Appendix A: Offer

To: Attention: Mr. Christopher Mediratta, Vice President, Ernst & Young Inc., court appointed monitor of Landdrill International LLC

1. ______________________________
(Legal Name of Offerer which will be acquiring the Shares)

2. ______________________________
(Address of Offerer)

3. ______________________________
(Telephone Number)

4. ______________________________
(Facsimile Number)

5. ______________________________
(Email Address)

6. I/We hereby submit this offer for the purchase of the Shares indicated below:

   $______________________________ (USD) which amount does not include any taxes payable in respect of the Proposed Transaction, which taxes the purchaser shall be responsible for.

7. We/I have read and understand all of the terms of the Tender Letter. We/I agree in the event this tender is accepted, to be bound by the terms of the Tender Letter, which are deemed to form part of this Offer, and to expeditiously negotiate a Definitive Agreement with the Monitor on the Shareholder's behalf to close the Proposed Transaction, subject to the terms and conditions included in such Definitive Agreement.

8. We/I have attached a description of your proposed source of financing (and timing for obtaining) such financing and, in the event that you require external financing, please include the names of the source(s) that will be providing such financing.

9. We/I have attached a description of any information that you anticipate requiring in order to complete your due diligence investigation of the Company and the Assets, including any business locations that you would like to visit.

10. We/I have attached a description of any regulatory or other approvals or third party consents that you feel may be required in connection with your purchase of the Shares.

11. We/I have attached an estimate of timing for the execution of a Definitive Agreement and closing of the Proposed Transaction.

12. This Offer is irrevocable.

13. The undersigned covenants to provide a bank draft payable or verification of wire transfer to "Ernst & Young Inc. in trust for Landdrill International Inc." as a deposit in the amount of US$, representing 10% of the total amount of our/my tender submitted herein, as cash deposit per the Tender Letter, within 3 business days of the date hereof.

DATED at ________________________ this ______ day of________________ 2013.

OFFEROR:

[INSERT CORPORATE NAME]

____
I have power to bind the company
Name:
Title:

****

Offer accepted this _____ day of _______________, 2013.

ERNST & YOUNG INC., in its capacity as the court-appointed monitor of Landdrill International Inc. and Landdrill International LLC, and not in its corporate or personal capacity, for and on behalf of Landdrill International Inc. and Landdrill International LLC

____
Name:

Title:

Ernst & Young LLP

Assurance | Tax | Transactions | Advisory

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Ey.com/ca/restructuring

APPENDIX B

SHARE PURCHASE AND SALE AGREEMENT

This SHARE PURCHASE AND SALE AGREEMENT (**Agreement**) dated as of 13 February 2013 between:

> **Bat-Erdene Batkhuyag**, a Mongolian individualresident at Apartment #8, Building #5, 2nd microdistrict, Bayangol district, Ulaanbaatar, Mongolia(registration number FM79121171) (**Purchaser**); and
>
> **Landdrill International Ltd.**, a company incorporated pursuant to the laws of the Province of New Brunswick (Canada), whose registered office is located at 160 MacNaughton Avenue, Moncton, New Brunswick, E1H 3L9, Canada (**Seller**).

RECITALS

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

B Seller is the registered and beneficial owner of 10,000 common shares (the **Sale Shares**)of Landdrill International LLC, a Mongolian limited liability company (company registration number 9019011006, taxpayer's number 2543079) (the **Company**), constituting 100% of the issued and outstanding common shares of the Company.

C Seller and Purchaser (the **Parties**) have entered into a binding offer dated February 5, 2013 (the **Binding Offer**) in respect of the sale of the Sale Shares by Seller to Purchaser, as contemplated herein (the **Transaction**) and now the Parties wish to outline the terms and conditions of the Transaction.

NOW, THEREFORE, the Parties agree as follows:

1. **Share Purchase**

Seller hereby agrees to sell the Sale Shares to Purchaser, and Purchaser hereby agrees to purchase the Sale Shares from Seller on the Closing Date (as defined below) (**Closing**), for a total purchase price of US$[redacted]plus any applicable Mongolian sales or other taxes in respect thereof(the **Purchase Price**).

2. **Payment of the Purchase Price**

The Purchase Price shall be paid by Purchaser by wire transfer of immediately available funds to Ernst & Young Inc., in its capacity as the court-appointed monitor of Seller (the **Monitor**), to an account provided by the Monitor in advance of Closing as follows:

a) 10% of the Purchase Price or US$[redacted] (the **Deposit**) upon execution of this Agreement but not later than February 13, 2013 ; and

b) 90% of the Purchase Price or US$[redacted]plus any applicable sales or other taxes at Closing.

3. **Warranties**

3.1 Seller hereby makes the following representations and warranties, upon which Seller acknowledges Purchaser is entitled to and has relied:

B.BB JW

a) **Incorporation and Qualification.** Seller is a corporation incorporated and existing under the laws of the Province of New Brunswick;

b) **Authorizations and Consents.** There is no requirement on the part of Seller or the Company to make any filing with or give any notice to any governmental entity or body, or obtain any order, permit, approval, waiver, license or similar authorization, in connection with the completion of the Transaction contemplated by this Agreement, except for the receipt of Court Order;

c) **Execution and Binding Obligation.** Subject to and in accordance with the Court Order, this Agreement has been duly executed and delivered by Seller and constitutes a legal, valid and binding agreement of Seller enforceable against it in accordance with its terms subject only to any limitation under applicable laws relating to (i) bankruptcy, winding-up, insolvency, arrangement and other laws of general application affecting the enforcement of creditors' rights, and (ii) the discretion that a court may exercise in the granting of equitable remedies such as specific performance and injunction;

d) **No Violation.** Neither the execution nor the delivery of this Agreement, nor the consummation of the Transaction contemplated hereby, will violate any law, regulation, order, or other restriction of any governmental agency or court to which Seller is subject.

e) **Authorized and Issued Capital.** The authorized capital of the Company consists of an unlimited number of common shares of which, at this date, 10,000 common shares (and no more) have been duly issued and are outstanding as fully paid; and

f) **No Other Agreements to Purchase.** Except for Purchaser's right under this Agreement, no person has any written or oral agreement, option or warrant or any right or privilege (whether by law, pre emptive or contractual) capable of becoming such for the purchase or acquisition from Seller of any of the Sale Shares.

3.2 Purchaser expressly acknowledges that it is purchasing the Sale Shares on an "as is, where is" basis, and Seller makes no further or other representations, warranties or assurances, expressed or implied, concerning the Sale Shares, the Company or its respective assets, properties, inventories, businesses, prospects, employees, customers, operations or liabilities (the **Business**). Purchaser further acknowledges that it has entered into this Agreement having conducted such inspections of the existence, nature, terms, attributes, features, capabilities and condition of the Business as it deemed appropriate and has satisfied itself with regard to these matters. Purchaser agrees to accept the Business in the condition, state and location it is in on Closing 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 Seller, except as expressly set forth in this Agreement. No representation, warranty or condition is expressed or can be implied as to fitness for purpose, merchantability, condition, quantity or quality or in respect of any other matter or thing whatsoever concerning the Sale Shares or the Business or the right of Seller 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 any sale of good legislation in any province of Canada, in Mongolia or other jurisdiction do not apply hereto and are hereby waived by Purchaser.

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3.3 Purchaser hereby makes the following representations and warranties, upon which Purchaser acknowledges Seller is entitled to and has relied:

a) **Legal Capacity.** Purchaser is an individual resident in Mongolia and has the legal capacity to execute this Agreement;

b) **Authorizations and Consents.** There is no requirement on the part of Purchaser to make any filing with or give any notice to any governmental entity or body, or obtain any order, permit, approval, waiver, license or similar authorization, in connection with the completion of the Transaction contemplated by this Agreement;

c) **Execution and Binding Obligation.** Subject to the Court Order, this Agreement has been duly executed and delivered by Purchaser and constitutes a legal, valid and binding agreement of Purchaser enforceable against it in accordance with its terms subject only to any limitation under applicable laws relating to (i) bankruptcy, insolvency, arrangement and other laws of general application affecting the enforcement of creditors' rights, and (ii) the discretion that a court may exercise in the granting of equitable remedies such as specific performance and injunction; and

d) **No Violation.** Neither the execution nor the delivery of this Agreement, nor the consummation of the Transaction contemplated hereby, will violate any law, regulation, order, or other restriction of any governmental agency or court to which Purchaser is subject.

3.4 The representations and warranties of the Parties contained in this Agreement shall survive Closing of the Transaction and continue in full force and effect for the benefit of the other without limitation of time, subject only to applicable limitation periods imposed by law.

4. <u>Covenants</u>

4.1 From the date hereof until Closing, the Purchaser shall promptly notify the Seller if the Purchaser becomes aware that any of its representations or warranties is untrue or inaccurate or that it has failed to perform or fulfill any of its covenants or obligations under this Agreement, and the Seller shall promptly notify the Purchaser if it becomes aware that any of its representations or warranties is untrue or inaccurate in any material respect or that it has failed to perform or fulfill any of its covenants or obligations under this Agreement in any material respect.

4.2 Except as otherwise contemplated by this Agreement, until Closing, the Seller will use its commercially reasonable efforts to cause the Company to conduct its business in the ordinary course of normal day-to-day operations of the Company, provided however that the Purchaser acknowledges that the Company has recently sold the majority of its tangible operating assets to a third party.

4.3 Each Party will maintain the existence of this Agreement and its terms in confidence and not disclose to any third party except for its representatives, agents, employees and as required by law or the Court.

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5. **Closing**

5.1 Closing shall occur at the offices of the Seller's counsel in Mongolia promptly following receipt by the Seller of the Court Order (as defined below) and in any event prior to March 29, 2013 or on such other date and time as the Parties may agree to in writing (**Closing Date**).

5.2 The Parties acknowledge that Closing of the Transaction is subject to receipt by the Seller of an order issued by the Court approving this Agreement and the Transaction and vesting in Purchaser all of the right, title and interest of Seller in the Sale Shares free and clear of all encumbrances as provided in this Agreement as at Closing (the **Court Order**). The Seller will provide the Court Order to the Purchaser promptly upon receipt thereof from the Court.

5.3 At Closing, Seller shall execute such share transfer documents and cause such documents or share certificates to be delivered, filed and/or registered and take such other and further actions as may be required to affect the transfer of title in the Sales Shares to Purchaser free and clear of all encumbrances.

5.4 Seller shall provide Purchaser with updated good standing reference letters from applicable government agencies in Mongolia, including from the Legal Entity Registration Office and Tax Office with respect to the Company and reference letters from the land office and the Property Rights Registration Office in relation to the real property owned by Seller located in Employee's street-165, 171, 3rd khoroo, Khan-Uul district, Ulaanbaatar, Mongolia with its certificate number 000174587 and state registration number Y-2206007206 dated no earlier than 10 business days prior to Closing.

5.5 Seller shall cause all officers and directors of the Company to sign and deliver resignations of employment as reasonably requested by the Purchaser as at Closing.

5.6 Purchaser shall be liable and shall pay at Closing, in addition to the Purchase Price, all applicable Mongolian taxes, duties, fees, premiums, levies and other charges of any kind (including any interest, fines or additional amounts) eligible in connection with the Transaction. For avoidance of doubt, the Purchaser will pay all applicable Mongolian tax to the relevant tax office in Mongolia.

5.7 At Closing, each Party shall deliver a bringdown certificate confirming the accuracy of its representations and warranties provided herein and the satisfaction or fulfillment of its covenants contained herein as at Closing with the same force and effect as if such were made on such date.

5.8 Purchaser will use its reasonable best efforts to sign all ancillary documents, to take all action and to do all things necessary, proper, or advisable in order to effect the Transaction.

5.9 All transfer, registration, notary fees, regulatory or governmental approvals and/or other costs associated with the Transaction shall be completed and paid for by Purchaser. Except as otherwise specifically provided herein, each of the Parties 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 Transaction contemplated hereby.

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6. **Termination**

This Agreement may, by notice in writing given at or prior to the Closing, be terminated:

a) by mutual consent of the Seller and Purchaser;

b) by either Party if the other party is in material breach of this Agreement and such breach has not been cured within 3 days following notice of such breach by the non-offending party; or

c) by either Party if Closing has not occurred by March 29, 2013 (the **Outside Date**) unless such delay is caused by the Party desiring to terminate pursuant to this provision.

In the event this Agreement is terminated for any reason other than due to a material breach of this Agreement by the Seller or if Closing does not occur by the Outside Date due primarily to the actions of the Seller, the Purchaser shall forfeit the Deposit to the Seller as liquidated damages (and not as a penalty) to compensate for expenses incurred and opportunities foregone.

7. **Further Assurances**

The Parties shall, from time to time after Closing, 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.

8. **Law**

This Agreement is governed by and shall be construed in accordance with Mongolian law.

9. **Notices**

A notice under this Agreement will only be effective if it is in writing and is received. Faxes are permitted. All notices and other documents delivered under this Agreement must be in English or, if not, accompanied by a translation into English certified by an officer of the sender to be accurate. Translation costs are for the account of the sender. Notices will be delivered to the address of the intended recipient as set out below. Any of the Parties may change its address details by notice to the other party.

in the case of the Seller, as follows:

Ernst & Young Inc., in its capacity as the Court-appointed Monitor of the Seller
The Fortis Building
139 Water Street7th Floor
St. John's, Nfld Canada A1C 1B2

Attention:	Paul D. Hickey
Telephone No.:	+ 1-709-570-5404
Fax No.:	+ 1-709-726-0345

in the case of the Purchaser, as follows:

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Bat-Erdene Batkhuyag
Apt8, Bld05, 1st khoroo
Bayangol District
Ulaanbaatar, Mongolia

Attention:
Telephone No.: + 976-99996830
Fax No.: + 976-70117701

10. **Assignment**

The rights of each of the parties under this Agreement are personal to it. Accordingly they are not capable of assignment without the prior consent of the other parties.

11. **Currency**

All references herein to money are to the lawful currency of the United States of America, unless expressly specified otherwise.

12. **Waivers and Amendments**

A waiver or amendment of a term of this Agreement will only be effective if it is in writing.

13. **Counterparts**

There may be several signed copies of this Agreement. This Agreement shall be executed in the English language.

14. **Other**

14.1 If any provision of the Agreement is determined to be invalid, illegal or unenforceable, the remaining provisions of the Agreement remain in full force and effect if the essential terms and conditions of this Agreement remain valid, binding and enforceable.

14.2 This Agreement, together with the Binding Offer which is incorporated herein, supersedes all prior discussions, representations, warranties and agreements, both written and oral, among the parties to this Agreement with respect to the subject matter of the Agreement, and contains the sole and entire agreement among the parties with respect to the subject matter hereof. In the event of any conflict or inconsistency between the provisions of the Binding Offer and of this Agreement, the provisions of this Agreement shall prevail to the extent of such conflict or inconsistency.

14.3 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.

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The Parties hereby execute this Agreement:

Purchaser

Bat-Erdene Batkhuyag

By

Name:
Title:

Seller

Ernst & Young Inc., in its capacity as the court-appointed monitor of **Landdrill International Ltd.** and not in its corporate or personal capacity, for and on behalf of **Landdrill International Ltd.**

By

Name: PAUL D. HICKEY
Title: Senior Vice President

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