Court File No.____________

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)

AFFIDAVIT

I, **RONALD J. GOGUEN**, of the City of Moncton, in the Province of New Brunswick, **MAKE OATH AND SAY AS FOLLOWS**:

I am the Chief Executive Officer and a member of the Board of Directors of the Applicant, Landdrill International Inc. ("**Landdrill B.C.**"). I am the Chief Executive Officer and sole director of the Applicants, Landdrill International Ltd. ("**Landdrill N.B.**"), Landdrill Atlantic Ltd. ("**Landdrill Atlantic**") and Landdrill Contract Mining Ltd. ("**Landdrill LCM**"). I am also the President and/or the sole director of the following companies:

Corporation	**Position**
Landdrill International Mexico S.A. de C.V. ("**Landdrill Mexico**")	President
LLC Landdrill International ("**Landdrill Russia**")	Sole Director
Landdrill International XXK ("**Landdrill Mongolia**")	Sole Director and President

Landdrill International Inc. ("**Landdrill Barbados**")	Sole Director and President
Landdrill Company Limited	Sole Director and President
Landdrill International Cooperatief U.A.	Sole Director and President
Landdrill International Nicaragua, S.A.	President
Landdrill International SARL	Sole Director and President

As such, I have personal knowledge of the matters to which I hereinafter depose. Where I do not possess personal knowledge, I have stated the source of my information and, in all such cases, believe it to be true.

OVERVIEW OF THE LANDDRILL GROUP

1. Landdrill B.C. is the parent of Landdrill N.B., Landdrill Atlantic and Landdrill LCM. Landdrill Atlantic is the general partner of Nitasi Landdrill (Quebec) Limited Partnership ("**Nitasi Quebec**") and Nitasi Landdrill Limited Partnership (Newfoundland and Labrador) ("**Nitasi Labrador**"). Landdrill N.B. and Landdrill Atlantic are parents (directly or indirectly) of the following eight subsidiaries:

(a) Landdrill Mexico;

(b) Landdrill Russia;

(c) Landdrill Mongolia;

(d) Landdrill Barbados;

(e) Landdrill International Company Limited (a Hong Kong corporation);

(f) Landdrill International Cooperatief U.A. (a Netherlands corporation);

(g) Landdrill International Nicaragua, S.A. (a Nicaragua corporation); and

(h) Landdrill International SARL (a Mali corporation).

The above-referenced corporations will collectively be referred to as the "**Landdrill Group**". Landdrill B.C., Landdrill N.B., Landdrill Atlantic, Landdrill LCM, Landdrill Mexico, Landdrill Mongolia and Landdrill Barbados will collectively be referred to as the "**Applicants**". A chart showing the corporate structure of the Landdrill Group is attached hereto as **Exhibit "A"**.

2. The Landdrill Group operates an international drilling business providing industrial drilling services to mineral exploration companies in Canada, Mexico, Mongolia, Nicaragua and Russia. While the membership of the Landdrill Group is diverse and its business spans multiple jurisdictions, its operations are controlled from its head office located in Moncton, New Brunswick, where all of the executive employees are employed. Landdrill B.C. currently employs all head office staff of the Landdrill Group worldwide (from its office in New Brunswick). Landdrill N.B. owns the vast majority of all Canadian assets of the Landdrill Group, maintains all Canadian contracts of the Landdrill Group and does most of the back office work for the Canadian and international operations of the Landdrill Group. On this basis, I believe that New Brunswick is the chief place of business of the Applicants.

OVERVIEW OF THE URGENT FINANCIAL CRISIS

3. As described in more detail below, the Applicants and the Landdrill Group as a whole are currently facing significant challenges as a result of a number of factors, including:

(a) market conditions impacting mineral exploration companies resulting in difficulties in obtaining necessary investment due to economic uncertainty, which has resulted in a corresponding dramatic downturn in the drilling industry, beginning in 2012;

(b) significant turnover of Canadian employees in late 2011 and early 2012 and an inability to find and retain qualified replacement workers, which resulted in poor operational efficiency and imposed increased training costs and related expenses on the Canadian operations and a decrease in margins in the first four months of 2012 in an amount of approximately $4.4 million;

(c) as a direct result of (b) above, a decrease in production of metres drilled per shift in the Canadian operations in late 2011 and early 2012, which led to lower revenue per drill and lower margins, resulting in the cash shortfall described above;

(d) the imposition of taxes and a suspension of numerous mineral exploration licences by the Mongolian government, which resulted in a stoppage of exploration in Mongolia and a corresponding reduction in drilling contracts; and

(e) the simultaneous decision by several exploration companies to cease exploration activities in Mexico, resulting in an abrupt reduction in the revenues generated by the Mexican operations of the Landdrill Group and, in particular, a reduction of operating drills in Mexico from 16 to 2.

4. As will be described in greater detail below, the termination of the former CFO of the Landdrill Group on June 4, 2012 and the Landdrill Group's recent financial performance have given rise to allegations that Landdrill B.C. and Landdrill N.B. breached covenants in their credit agreements with their three principal lenders: Norrep Credit Opportunities Fund, LP ("**Norrep**"), Sprott Resource Lending Partnership ("**Sprott**") and GE Canada Equipment Financing G.P. ("**GE**"). All three have now issued demands for payment and have given notice of their intention to enforce their security. In June 2012, Norrep purported to require that the Landdrill Group begin making principal payments under its credit facility in the amount of $150,000.00 per month (whereas, it had previously been required to make interest payments only) and purported to increase the interest payable under this facility from 12% to 16% by reason of this alleged default.

5. Due to a combination of the foregoing financial pressures, the Applicants are insolvent and require immediate relief from their creditors and a temporary halt to all debt service obligations so as to allow them to meet their immediate liquidity needs while they attempt to implement a restructuring or an orderly sale of their business. The need for protection from creditors is particularly acute in this instance as the presence of assets across multiple jurisdictions and the complex inter-creditor arrangements between the secured creditors of the Applicants both strongly favour an orderly approach to reorganization or realization versus the individual enforcement activities that could be undertaken by creditors.

6. The Applicants seek protection under the *Companies' Creditors Arrangement Act* (the "**CCAA**") in order to facilitate such a reorganization or, in the alternative, a sale of the business of the Applicants as a going concern. The operations of the Applicants are intertwined. Landdrill Mexico, Landdrill Barbados and Landdrill Mongolia have been included as Applicants in this proceeding as they each own material assets and/or employ employees of the Landdrill Group in various locations. I am advised by Enrique Espejel, a lawyer practising in Mexico with the firm of White & Case SC, and do verily believe that Mexico has incorporated the UNCITRAL Model Law relating to Cross-Border Insolvency Proceedings. As a result, the Applicants also seek this Court's authorization to have the Monitor appointed in any such CCAA proceedings apply for recognition of these proceedings in Mexico under the *Ley de Concursos Mercantiles* ("**LCM**") so as to enable an efficient cross-border restructuring or sale of the business of the Applicants for the benefit of all stakeholders.

CORPORATE STRUCTURE AND HISTORY

7. The Landdrill Group began in 2004 with the purchase of a small drilling business in Mongolia. In 2006, the Landdrill Group expanded its operations into Russia and Mexico and then, in 2007, it purchased three rigs for a contract in Quebec and commenced operations in Canada. In August 2008, it expanded its Canadian operations by purchasing a small Canadian drilling business known as Forages M. Lafreniere Inc. ("**FML**").

8. Landdrill BC is the parent company of the Landdrill Group. Landdrill N.B. and Landdrill Mexico are responsible for the Canadian and Mexican operations respectively and provide the main revenue stream for the corporate group. The other members of the Landdrill Group are subsidiaries which are used to organize the operation of the business on a more granular level, or to hold assets and operate aspects of the business in other parts of the world where the Landdrill Group has a smaller presence. A brief description of each of the principal Landdrill Group entities is as follows.

Landdrill B.C.

9. Landdrill B.C., which is the ultimate parent of the Landdrill Group, is incorporated under the laws of British Columbia (originally, in 1992), maintaining its registered office in

Vancouver, British Columbia. Landdrill B.C. does not maintain a physical office in British Columbia, other than its registered office which is that of the agent who maintains its registration. The members of its Board of Directors reside in New Brunswick, Nova Scotia, Ontario and British Columbia. Landdrill B.C. is a publicly listed company which trades on the TSX Venture Exchange under the ticker symbol "LDI". Landdrill B.C. was acquired by the Landdrill Group through a reverse take-over in 2006. The Landdrill Group does not need to continue to maintain a presence in British Columbia and plans to continue the corporation in New Brunswick, but has not yet had an opportunity to do so. At the present time, Landdrill B.C. employs 17 employees (including shipping, accounting, administration, payroll and a shop worker and receptionist) with a payroll of approximately $1.5 million. Landdrill B.C. also does some marketing and purchasing for Landdrill Mexico, Landdrill Mongolia and Landdrill N.B., and invoices them for technical fees on the basis of a flat fee per drill. A copy of a corporate profile search for Landdrill B.C. from BC Registry Services dated July 6, 2012 is attached hereto as **Exhibit "B"**.

Landdrill N.B.

10. Landdrill N.B. is an immediate subsidiary of Landdrill B.C. and the principal operating entity for all Canadian business of the Landdrill Group. It is a privately owned company which is incorporated under the laws of New Brunswick (originally, in 2004), maintaining its registered head office at 160 MacNaughton Avenue, Moncton, New Brunswick. Landdrill N.B. owns the majority of the equipment of the Landdrill Group in Canada and employs the majority of its field employees in Canada. Landdrill N.B. also does some marketing and purchasing for Landdrill Mexico, invoicing Landdrill Mexico for "technical fees" on the basis of a "flat fee per drill". Landdrill N.B. holds all Canadian accounts receivable of the Landdrill Group, currently totalling approximately $3 million CDN. It currently has no active drilling rigs in New Brunswick itself, but does have a verbal contract for services in New Brunswick which have not yet commenced and has tendered for two additional contracts in New Brunswick. If these contracts are awarded, each would require one active drilling rig and 4-5 employees per rig. A copy of a corporate profile search result for Landdrill N.B. from the New Brunswick Corporate Affairs Registry Database dated July 6, 2012 is attached hereto as **Exhibit "C"**.

Landdrill Mexico

11. Landdrill Mexico is a privately owned company incorporated under the laws of Mexico, maintaining its registered head office in Hermosillo, Mexico. Landdrill Mexico is an indirect subsidiary of Landdrill B.C. and Landdrill N.B. and is the principal operating entity for the Mexican business of the Landdrill Group. Landdrill Mexico owns all of the equipment of the Landdrill Group in Mexico and indirectly employs the majority of the employees of the Landdrill Group in Mexico (six employees in Mexico are paid by Landdrill B.C.). Landdrill Mexico currently owns approximately $10 million in assets and has 18 drilling rigs in Mexico and one in Nicaragua. Landdrill Mexico operates through approximately 100 employees who are actually employed by Mapleson Corporate Management Services S.C., a private company. To my knowledge, all companies operating in Mexico use this type of corporate structure with a separate, privately-owned company serving as the employer of the workers. On July 26, 2012, Landdrill Mexico opened a Canadian bank account at the CIBC in Moncton with a balance of approximately $500. This account was opened in preparation for these proceedings.

Canadian Operations of the Landdrill Group

12. The Landdrill Group includes three other Canadian entities. Landdrill Atlantic and Landdrill LCM are companies incorporated under the laws of New Brunswick and are Applicants in this proceeding. These entities are used to organize the Canadian operations of the Landdrill Group and/or to own maintain certain discrete contracts in Canada. Copies of corporate profile search results for Landdrill Atlantic and Landdrill LCM, each dated August 23, 2012, are attached hereto as **Exhibit "D"**. Nitasi Quebec and Nitasi Labrador are limited partnerships formed under the laws of Quebec and Newfoundland respectively, and are not Applicants in this proceeding. Landdrill Atlantic is the general partner and owns 49% of each of these limited partnerships, with the Innu Bands in Quebec and Labrador respectively each owning the remaining 51%.

Landdrill Mongolia and Landdrill Barbados

13. Landdrill Mongolia and Landdrill Barbados are each subsidiaries of Landdrill N.B. and are Applicants in this proceeding. Landdrill Mongolia is referred to in Mongolia as Landdrill International XXK. On August 22, 2012, each of Landdrill Mongolia and Landdrill Barbados

opened a Canadian bank account at the CIBC in Moncton and each currently maintains a balance of approximately $500 in its Canadian account. These accounts were opened in preparation for these proceedings.

Other Members of the Landdrill Group

14. The Landdrill Group includes a number of other subsidiaries which are not Applicants in this proceeding. These include entities incorporated under the laws of Hong Kong, the Netherlands, Russia, Mali and Nicaragua, which are used to organize the international operations of the Landdrill Group outside of Canada and Mexico.

THE BUSINESS OF THE LANDDRILL GROUP

15. The Landdrill Group is one of approximately 150 industrial drilling businesses which service the mineral exploration industry in Canada. It provides a variety of different drilling services to its customers, including deep hole diamond drilling, directional drilling, reverse circulation drilling and underground drilling, which can be tailored to the needs of a particular customer and project. The Landdrill Group is capable of providing drilling services for a wide range of different minerals and natural resources without the need for extensive modifications to its equipment. The Landdrill Group typically provides drilling services in connection with the extraction of gold, silver, coal and other minerals.

16. The business model of the Landdrill Group revolves around contracting. The Landdrill Group does not own any mining rights or any significant real property of its own. Instead, the Landdrill Group owns a set of 53 drilling rigs which can be transported from one exploration site to the next. When drilling services are required for a particular project, an exploration company will enter into a contract with the Landdrill Group to provide the necessary drilling equipment, as well as the personnel required to operate it.

17. While individual contracts may vary, drilling services are typically measured and billed based on the number of metres drilled per day, such that efficiency and productivity on the worksite are essential to realizing a profit on a particular project. When a drilling project is complete, drilling rigs can be uprooted and moved from one site to the next and drilling can continue at the new project site. The average drilling project takes approximately 6 months to

complete. It takes approximately $5,000.00 to $25,000.00 to move each drilling rig from one site to the next, depending upon the distance which must be covered between jobs.

18. The customers of the Landdrill Group include three types of exploration companies: junior exploration companies, intermediate exploration companies and senior exploration companies. A junior exploration company is one which has not yet found a mineral deposit but which conducts exploration activities in the hope of identifying such a deposit. An intermediate exploration company is one which has already found a mineral deposit and which is, therefore, able to raise cash and has an incentive to proceed with its exploration programs. A senior mining company is one which has a mine in production which is generating revenue. As will be explained in greater detail later, the current market conditions have been particularly difficult on junior exploration companies, which have traditionally represented the largest customer base of the Landdrill Group.

19. Presently, the Landdrill Group has eight active projects, two of which are located in Ontario, one of which is located in Wabush, Labrador, four of which are located in Mexico and one of which is located in Mongolia. These projects range in size and each project requires a different number of drilling rigs. The drilling rigs owned by Landdrill Group are presently distributed as follows:

	Drills in Use	Total Drills
Canada	**9**	**24**
Ontario	**6**	**6**
Quebec	**0**	**11**
New Brunswick	**0**	**2**
Wabush, Labrador	**3**	**5**
Mexico	**9**	**18**
Nicaragua	**0**	**1**
Mongolia	**1**	**6**
Russia	**0**	**4**

20. After drilling rigs, the next most significant asset of the Landdrill Group is its inventory of approximately $9.8 million. The accounts receivable of the Landdrill Group are presently

$2,915.887.00 in Canada, approximately $1 million in Mexico and approximately $800,000.00-$1 million in Russia and Mongolia combined (the accounts receivable figures change on a daily basis).

Historical Growth and Development of the Business

Mongolian Operations

21. The Landdrill Group business began in 2004 with the acquisition of a Mongolian drilling business for approximately $3.5 million USD. Six drills were purchased from Canada and sent to Mongolia for use in the new business, and skilled Canadian drill operators and managers were retained to lead the Mongolian operations and to train local employees. The operations of the Landdrill Group in Mongolia are run through Landdrill Mongolia. Landdrill Mongolia reports to Landdrill B.C.

22. The Mongolian business of the Landdrill Group was initially successful, generating revenues of approximately $15 million USD at a 40% margin. However, beginning in mid 2006, there was speculation that Mongolia would nationalize its mineral exploration companies. The Mongolian government introduced a "windfall tax" which imposed heavy levies on mining operations in Mongolia. The tax was 62% of gold revenues for sales above $500 an ounce and 62% on copper producers for sales above $1.50 per pound. As a result of this tax, the market for drilling services became scarce. Sales by the Landdrill Group in Mongolia dropped by 80% after speculation about the introduction of the tax began. As a result, the Landdrill Group first made the decision to expand its operations into Mexico and Russia. As of January 1, 2011, the windfall tax was repealed.

23. In 2012, it was discovered that a state-owned Chinese company planned to acquire a majority stake in the operations of SouthGobi Coal (the flagship Mongolian coal mine) from a Canadian corporation, Ivanhoe Mines Ltd. The Mongolian government suspended 26 exploration and mining licences while it reviewed the proposed transaction and passed a law which limited future foreign ownership in strategic industries such as mining to 49%, unless the acquirer obtained parliamentary approval. These licence suspensions forced the suspension of operation of three of the rigs of the Landdrill Group. The loss of revenue from these suspensions was approximately $600,000.00 USD per month, resulting in a net loss of profit of

approximately $100,000.00 USD per month. The licence freezes introduced a great deal of uncertainty for mineral exploration companies operating in Mongolia (a majority of which are Canadian) and, as a consequence, the Landdrill Group lost drilling opportunities in Mongolia during the first eight months of 2012.

24. In July 2012, a new government was elected in Mongolia. The licence suspensions are being lifted and licences are being returned upon the application of the licencee. Landdrill Mongolia currently owns assets consisting of real estate, equipment and inventory valued at approximately $5.5 million USD. This equipment includes six drilling rigs, one of which is currently active. Landdrill Mongolia currently employs 19 administrative employees and 15 field workers required to operate its one active rig and has bids out for eight additional contracts with one rig onsite and ready to begin drilling.

Mexican Operations

25. The Landdrill Group expanded its business into Mexico in 2006-2007, in part as a response to the introduction of the "windfall tax" in Mongolia. As in Mongolia, the Mexican operations were initially run by skilled Canadian drill operators and managers, but the balance has gradually shifted in favour of local employees and there are now fewer Canadian employees in Mexico.

26. Landdrill Mexico's operations were in start-up mode in 2006, and margins for the Mexican business were negative for the first two years of operation. During this period, the Mexican business was funded in part through substantial intercompany loans from Landdrill B.C. In order to commence, the Mexican operations required an investment of approximately $5 million. In 2008, the Mexican operations had positive margins, as well as in 2010 and 2011. The Mexican operations have even more positive margins in 2012.

27. The present day operations of the Landdrill Group in Mexico are run through Landdrill Mexico. Similar to the Mongolian operation, Landdrill Mexico remains closely connected to the Canadian operations of the Landdrill Group. Landdrill N.B. does some of the marketing and purchasing for Landdrill Mexico, invoicing Landdrill Mexico for "technical fees" on the basis of a "flat fee per drill". Canadian employees continue to be employed in Mexico and the Canadian and Mexican operations share a number of key customers. In addition, Landdrill B.C. has made

substantial intercompany loans to Landdrill Mexico, currently totalling approximately $5 million CDN.

28. In the early part of 2012, the margins of the Mexican operations had increased. As of May 27, 2012, Landdrill Mexico had 16 drilling rigs in operation. However, 13 of these 16 active rigs were abruptly forced to stop drilling in the last week of May 2012 as a result of corporate decisions by mineral exploration companies to stop exploration activities in Mexico due to prevailing market conditions. Many Canadian mineral exploration companies had lost the ability to raise equity with investors. As a result, these exploration companies did not require drilling services and Landdrill Mexico was forced to reduce the number of its active rigs to only two in Mexico. Landdrill Mexico sustained a loss of approximately $1.5 million USD in June and July of 2012, representing a substantial detrimental effect on its cash flow.

29. Due to recent marketing efforts, Landdrill Mexico has very recently managed to obtain three new contracts for 10 of its Mexican rigs to be returned to operation, eight of which have already been returned to operation and two of which will be returned to operation by September 1, 2012. As noted above, two of the Mexican rigs remained in operation throughout. Landdrill Mexico has recently obtained a contract with Torex Gold Resources Inc. for five rigs in Mexico, all of which are now active. It has also obtained a contract with Endeavor Silver Corp. for three rigs in Mexico (which are currently en route to the project site) and a contract with Peñoles for two rigs in Mexico by the end of this month. In total, this new business will result in revenues of approximately $1.5 million USD for September 2012.

Canadian Operations

30. In the fall of 2007, the Landdrill Group began operations in Canada with the purchase of three used drills for a contract in Quebec. In July 2008, the Landdrill Group expanded its business in Canada through the acquisition of FML, a small drilling company in Canada. The Canadian operations generated approximately $7 million in revenues in 2008, increasing to approximately $36 million by 2011, making the Canadian operations the most significant source of revenues for the Landdrill Group.

31. The present day operations of the Landdrill Group in Canada are run through Landdrill N.B., Landdrill Atlantic, Landdrill LCM, Nitasi Quebec and Nitasi Labrador and include a

number of significant projects in Ontario and Wabush, Labrador. Landdrill Atlantic has no assets and employs no staff, but is the general partner of Nitasi Quebec and Nitasi Labrador. Nitasi Quebec and Nitasi Labrador maintain an office in Wabush, Labrador. These partnerships maintain contracts with the Innu Bands in Quebec and Labrador respectively, whereby the parties share profits on any drilling contracts. Nitasi Quebec and Nitasi Labrador are not Applicants in this proceeding as they do not own any assets.

Other International Operations

32. As noted above, the Landdrill Group also comprises a number of subsidiaries and affiliates which are not Applicants in these proceedings and which own assets in other international jurisdictions, including Russia, Barbados, Nicaragua and the Netherlands. Only Russia and Nicaragua have any significant assets, with Russia owning approximately $1.8 million USD in assets, including inventory and equipment (four drilling rigs). Nicaragua has approximately $300,000.00 in assets consisting of one rig and some inventory. The Russian business is no longer operational but retains five employees who are in the process of "mothballing" the operation and packing its assets and who will oversee a future relocation of the equipment to Mongolia, where it will be sold. I estimate the sale of the Russian equipment and inventory should result in a net sale of approximately $1.0 million USD.

Employees, Pensions and Unions

33. As a technical, service-oriented business, skilled employees are crucial to the success of the Landdrill Group. It takes two drill operators (one per 12 hour shift) and two helpers (one per 12 hour shift) to operate each drilling rig, plus managers and foremen (one per 24 hour shift), safety managers (one per 24 hour shift) and mechanics (one per 24 hour shift) . In addition, the Landdrill Group retains a sales and administrative staff at its head office in New Brunswick and local administrative staff in Mongolia and Mexico for its operations in each of these nations. All of the employees of the Landdrill Group in Canada are Canadian, while the majority of the employees of the Landdrill Group in Mexico and Mongolia are local Mexicans and Mongolians, with a few Canadian supervisors to provide training and guidance.

34. In total, the Landdrill Group employs approximately 64 administrative office and shop employees and approximately 248 field staff in aggregate, including approximately 80 Canadian

employees. None of the employees of the Landdrill Group are members of any unions. A breakdown of the distribution of employees across different jurisdictions is as follows:

		Employees (Office and Shop)	Employees (Site)
Canada		31	47
	Ontario	0	30
	Quebec	9	0
	New Brunswick	17	0
	Wabush, Labrador	5	17
Mexico		17	80
Mongolia		19	15
Russia		5	0

35. The Landdrill Group offers a defined contribution pension plan to all of its Canadian drillers, helpers and other Canadian employees, as well as to ex-patriot Canadian employees who are living in Mexico and who have been employed for a period of one year. All pension contributions are up to date.

FINANCING ARRANGEMENTS AND INDEBTEDNESS

36. The Applicants have received the bulk of their current financing within the last 13 months, primarily from their three secured creditors: Norrep, Sprott and GE, as well as from the issuance of a series of unsecured Convertible Debentures. The Applicants also owe significant indebtedness to trade creditors, which include the suppliers and service providers which maintain and repair the drilling equipment which is essential to the business of the Applicants. The unsecured trade debt of the Landdrill Group in Canada is approximately $2.8 million. The unsecured trade debt in Mexico is approximately another $800,000.00. In Mongolia, the unsecured trade debt is less than $200,000.00.

37. The Applicants have significant annual payroll obligations totalling approximately $2.1 million for administrative personnel and approximately $12 million for workers and operators (projected) which are due and payable semi-monthly for administrative staff and bi-weekly for operating staff. Last year, the Landdrill Group paid approximately $22 million in payroll,

consisting of approximately $2 million for administrative staff and approximately $20 million for its workers. In order to make payroll and maintain its operations in 2012, the Landdrill Group has stretched its payables on a regular basis.

Norrep Credit Facility

38. Norrep is an investment fund operated under a strategic partnership between Crown Capital Partners Inc. and Hesperian Capital Management Ltd., two investment management firms with offices in Toronto, Ontario and Calgary, Alberta. On March 21, 2012, Landdrill B.C. obtained a loan from Norrep in an amount of $8.0 million CDN which was used to replace a CIBC $5 million operating line (balance of approximately $4 million CDN). The Norrep loan was secured by a first charge on Canadian inventory and Canadian accounts receivable, a floating charge on Mongolian assets and a second charge on the accounts receivable and inventory of Landdrill Mexico. Attached hereto and marked as **Exhibit "E"** are copies of credit documents and security agreements relating to the loans made by Norrep to Landdrill B.C.

39. Under the Norrep credit facility, a balloon payment of $5,000,000 is due on April 22, 2013, with the balance of the loan due on March 21, 2015. As of the date hereof, there is approximately $8,160,000.00 outstanding under the Norrep credit facility, while the monthly service payments under the Norrep credit facility are approximately $80,000.00 per month (interest only). By virtue of certain financial covenants contained in section 10.1(t) of the Norrep credit agreement, Landdrill B.C. was required, among other things, to maintain earnings before interest, taxes, depreciation, and amortization ("**EBITDA**") in excess of $2,000,000.00 for the three month period ending March 31, 2012.

40. By notices dated May 23, 2012 and June 21, 2012, copies of which are attached hereto as **Exhibit "F"** and **Exhibit "G"** respectively, Norrep alleged that Landdrill B.C. was in breach of the EBITDA covenant and others in the Norrep credit agreement and asserted that these breaches constituted an event of default. In the notice dated June 21, 2012, Norrep purported to advise that the Landdrill Group was prohibited from making any scheduled payments on account of the Convertible Debentures pursuant to section 10.1(p) of the Credit Agreement.

41. As a result of the aforementioned alleged default, Norrep has purported to require that Landdrill B.C. start making payments on the principal and interest in the amount of $150,000.00 per month and has purported to increase the interest rate under the credit facility from 12% to 16%, retroactive to the date of default, resulting in an additional interest payment being required in the amount of $108,000.00. By e-mail dated June 12, 2012, a copy of which is attached hereto as **Exhibit "H"**, Lyle Bolen of Norrep forwarded to Roger Rogers of the Landdrill Group a copy of the original loan amortization table and wire instructions for the Norrep loan and advised that, given that the Landdrill Group had gone into default of the minimum EBITDA covenant as at March 31, 2012, default interest was applicable retroactive to April 1, 2012.

42. By letters and notice dated August 21, 2012, copies of which are attached hereto as **Exhibit "I"**, Norrep made demands for payment and gave notice of its intention to enforce its security against Landdrill B.C. and made a demand on the remaining members of the Landdrill Group (with the exception of Nitasi Quebec and Nitasi Labrador) as guarantors (the "**Guarantors**").

43. The Norrep credit facility is fully guaranteed by the Guarantors of the Landdrill Group and is secured by a charge on both the real and personal property of each member of the Landdrill Group, the exception of Nitasi Quebec and Nitasi Labrador. The priority of security of Norrep vis-à-vis the other secured creditors of Landdrill Group is complex, and varies depending upon the jurisdiction and the nature of the collateral, as described in two inter-creditor priority agreements dated March 20, 2012 and March 21, 2012, respectively. However, the principal security of Norrep for the credit facility is a first-ranking charge on the inventory and accounts receivable of the Applicants in Canada.

Sprott Credit Facility

44. Sprott is an Ontario-based mutual fund company with a focus on lending to businesses in the natural resources sector. On July 29, 2011, Sprott extended credit to Landdrill B.C. in the principal amount of approximately $4,000,000.00, bearing interest at a rate of 12% *per annum*, payable monthly in arrears. In addition to monthly interest payments, the Sprott credit agreement requires monthly payments of principal which are currently fixed at $150,000.00 per month, and may require further monthly payments depending upon the status of the accounts

receivable of the Applicants in Mexico. As of the date hereof, there is approximately $2,536,000.00 plus interest outstanding under the Sprott credit facility, while the monthly service payments under the Sprott credit facility, including principal and interest, are in the amount of approximately $175,000.00 per month. Attached hereto and marked as **Exhibit "J"** are copies of credit documents and security agreements relating to the financing extended by Sprott to Landdrill B.C.

45. The Sprott credit facility is fully guaranteed by Landdrill Mexico, Landdrill Nicaragua and Landdrill Barbados. The credit facility is also secured on all present and after acquired real and personal property of Landdrill B.C. and the other guarantors of the credit facility. As with the Norrep security, the priority of Sprott's security varies depending upon the jurisdiction and the nature of the collateral. However, the principal security of Sprott is a first-ranking charge on those assets of Landdrill Mexico and a first place security over the shares of Landdrill N.B., Landdrill Barbados and Landdrill Mexico. The Sprott security position is subject of the terms of two priority agreements entered into between Sprott, Landdrill B.C., Landdrill N.B., Landdrill Barbados, Landdrill Mexico and Norrep dated March 20, 2012 and March 21, 2012.

46. By virtue of a covenant contained in section 8.1(m) of the Sprott credit agreement, Landdrill B.C. is obligated to maintain the employment of certain individuals, including former Chief Financial Officer, Derrick West. Mr. West ceased employment from Landdrill B.C. on June 4, 2012. Mr. Roger Rogers was subsequently appointed to the role of Chief Financial Officer. By notice dated June 6, 2012, a copy of which is attached hereto as **Exhibit "K"**, Sprott stated that Landdrill B.C. was in breach of a covenant under the Sprott credit agreement as a result of this change in executive position, and stated that this breach constituted an event of default.

47. By e-mail to the Landdrill Group dated June 13, 2012, Andrew Steuter of Sprott forwarded a form of waiver and advised that Sprott was prepared to waive the default of the Landdrill Group upon the fulfilment of certain conditions, including payment of a waiver fee in the amount of $100,000.00. In an e-mail exchange between Sprott and the Landdrill Group on June 13, 2012, Mike Tripp, general counsel of the Landdrill Group, advised that the position of the Landdrill Group was that the waiver fee should be eliminated or considerably reduced. In

reply, Mr. Steuter of Sprott reiterated the position of Sprott that the fee was justified. A copy of this email exchange is attached hereto as **Exhibit "L"**.

48. By e-mail dated August 3, 2012, Andrew Steuter of Sprott advised that a payment by the Landdrill Group of $175,409.84 (which had been initiated on July 31) had been returned NSF and that Sprott was giving Landdrill B.C. three business days within which to make this payment and to avoid an event of default. By reply e-mail to Sprott of the same date, Roger Rogers of the Landdrill Group advised that Landdrill B.C. was not able to cover the scheduled payment due to its requirement to manage its cash flow. By reply email to the Landdrill Group of the same date, Mr. Steuter of Sprott stated that Landdrill B.C. was in default of its payment obligation under the Sprott credit agreement. In this email, Mr. Steuter also commented on a draft forbearance agreement that had been proposed by the Landdrill Group. At the conclusion of his email, Mr. Steuter stated that he would instruct counsel to prepare and deliver a demand notice for Tuesday, August 7, 2012. A copy of this e-mail exchange is attached hereto as **Exhibit "M"**.

49. By e-mail to Andrew Steuter of Sprott dated August 3, 2012, Roger Rogers of the Landdrill Group requested a list of the amendments which Sprott was requesting to the proposed draft Forbearance Agreement. By e-mail to Sprott of the same date, Mr. Steuter listed the requests of Sprott to the draft Forbearance Agreement, one of which consisted of a requirement that no payments be made from Mexico to Canada without the prior consent of Sprott. A copy of this e-mail exchange is attached hereto as **Exhibit "N"**. I verbally agreed to this particular request at a meeting with Mr. Steuter and other representatives of Sprott on August 3, 2012. However, following the meeting, I learned that a payment had, in fact, been made to the Landdrill Group in Canada from Mexico that day without my knowledge, in the amount of $100,000.00. I had not been aware that this payment was being made at the time that I verbally agreed to the request and only learned that it had been made the following afternoon, after it was too late to cancel the payment.

50. By facsimile messages dated August 13, 2012, copies of which are attached hereto as **Exhibit "O"**, counsel for Sprott sent demand letters and Notices of Intention to Enforce Security to Landdrill B.C., Landdrill N.B., Landdrill Mexico and Landdrill Barbados.

GE Credit Facility

51. GE is an equipment financier and lender to Landdrill N.B., with its head office in Montreal, Quebec and with lending operations across Canada.

52. As of 2008, Landdrill N.B. owed approximately $2.8 million to GE. This was being paid down very rapidly to less than $1.0 million as of early 2011. Between March of 2011 and March of 2012, GE made four loans to Landdrill N.B., totaling approximately $3.5 million CDN. Landdrill N.B. obtained the first three loans primarily so that it could purchase equipment and the fourth loan for working capital. These loans were based on appraisals of certain drilling rigs and related equipment which Landdrill N.B. had purchased in 2011. In 2011, Landdrill N.B. was engaged in expansion (the "**2011 Expansion**") and had purchased 26 drilling rigs, including nine rigs with the acquisition of the drilling assets and operations of a Mexican company in March 2011 (which operated under the names of HD Drilling, s. de r.l. de c.v. and Inflight S. de r.l. de c.v. ("**HD Drilling**")), three additional new rigs in Mexico, five new rigs in Mongolia and seven new rigs in Canada, plus two used rigs in Canada. Each rig (with additional support equipment) costs approximately $600,000.00. The total equipment and corporate acquisition cost for the 2011 Expansion was approximately $13-14 million.

53. Attached hereto and marked as **Exhibit "P"** are copies of credit documents and security agreements relating to the financing extended by GE Capital.

54. The GE credit facilities bear a variable rate of interest of 8% to 9% *per annum*, payable monthly in arrears. As of the date hereof, the amounts owing under the GE loans are as follows:

Loan	**Payment Due Date**	**Payment Amount**	**Balance Due**
GE#4	the 24th of each month	$50,970.00	$1,064,445.30
GE#5	the 11th of each month	$22,205.00	$ 252,261.44
GE$6	the 30th of each month	$11,967.00	$ 527,607.25
GE#7	the 30th of each month	$52,682.00	$1,030,204.50

55. The GE credit facility is fully guaranteed by Landdrill B.C., Landdrill Atlantic and Nitasi. The credit facility includes a first ranking security on all equipment of Landdrill N.B. in Canada and a second ranking security on assets of Landdrill N.B. and Landdrill B.C. As with

the preceding secured creditors, the security of GE varies depending upon the jurisdiction and the nature of the collateral. However, the principal security of GE consists of a first-ranking charge on the equipment of Landdrill N.B. in Canada.

56. As of the end of July 2012, Landdrill N.B. was up to date in its payment obligations to GE. The next payment to GE was due August 24, 2012. Due to the current financial situation of the Landdrill Group, this payment was not made. By virtue of a financial covenant contained in the GE credit agreement, any breach under the Norrep credit agreement is an event of default under the GE credit agreement. Since Landdrill B.C. is allegedly in breach of one of its financial covenants under the Norrep credit agreement, Landdrill N.B. is also in default under the GE credit agreement.

57. By letter dated August 14, 2012, a copy of which is attached hereto as **Exhibit "Q"**, GE advised that Landdrill N.B. was in default based upon its failure to meet its financial covenants contained in the credit agreements between Landdrill N.B. and Sprott. By Demands and Notices of Intention to Enforce dated August 17, 2012 and served on August 20, 2012, copies of which are attached hereto as **Exhibit "R"**, GE demanded payment of the indebtedness due under its credit agreement with Landdrill N.B. and gave notice of its intention to enforce its security.

GMAC Financing

58. GMAC is also a creditor of the Landdrill Group under agreements for the financing of 30 vehicles. The Landdrill Group owes approximately $439,490.00 under these agreements. The Landdrill Group is up to date in its obligations to GMAC Financing and intends to remain current as it requires these vehicles in order to operate.

Convertible Debentures

59. In order to raise additional capital in 2011, Landdrill B.C. issued a series of unsecured Convertible Debentures in the aggregate principal face amount of $5,000,000.00, with a maturity date of January 31, 2013. Three of Sprott's related companies are collectively the largest debenture holder in the amount of approximately $2.5 million. Front Street Investment Management Inc. portfolio funds are the second largest in the amount of approximately $1.5 million. A copy of a complete listing of debenture holders is attached hereto as **Exhibit "S"**.

The Debentures bear interest at a rate of 10% *per annum*, payable monthly in arrears, and may be converted into equity in Landdrill B.C. in certain circumstances. The total amount outstanding under the Convertible Debentures as of the date hereof is approximately $5 million plus interest for July 2012 in the amount of $42,667.00. The monthly service payments under the Convertible Debentures total $42,667.00 per month.

60. The Convertible Debentures are not secured. As noted above, on June 21, 2012, Norrep purported to advise the Landdrill Group that it was prohibited from making any scheduled payments on account of the Convertible Debentures pursuant to section 10.1(p) of the Credit Agreement. By notices dated August 17, 2012, copies of which are attached hereto as **Exhibit "T"**, the Landdrill Group advised the Debenture Holders that interest under the Debentures would be suspended in accordance with the terms of the Convertible Debentures. .

Trade Debts

61. In addition to the foregoing, the Landdrill Group owes an aggregate of approximately $3.8 million to third-party suppliers, service providers responsible for providing maintenance and repair services and other trade creditors. In particular, it owes approximately $2.8 million to such creditors in Canada, approximately $800,000.00 to such creditors in Mexico and approximately $200,000.00 to such creditors in Mongolia.

62. Some of the suppliers of the Landdrill Group have put it on terms requiring cash on delivery or cash in advance of delivery.

Payroll Obligations

63. The Landdrill Group has significant payroll obligations in connection with its Canadian operations. At present, semi-monthly payroll of approximately $55,000.00 with monthly payroll remittances of approximately $82,000.00 is due and payable by Landdrill B.C. in connection with the executives and administrative staff employed at the head office of the Landdrill Group in New Brunswick. A net bi-weekly payroll of approximately $300,000.00 with monthly payroll remittances of approximately $123,000.00 is payable by Landdrill N.B. in connection with the Canadian field staff. The latter amount fluctuates from one payment to the next, based on the

level of operations in Canada. All statutory remittances required by the Landdrill Group are up to date.

Summary of Indebtedness of Landdrill Group

64. I presently estimate the aggregate outstanding indebtedness of the Landdrill Group at approximately $22.6 million, consisting of the following principal forms of indebtedness:

Norrep Credit Facility:		$8 million	(secured)
Sprott Credit Facility		$2.5 million	(secured)
GE Credit Facility:		$2.8 million	(secured)
GMAC:	Approx.	$500,000.00	(secured)
Convertible Debentures:		$5 million	(unsecured)
Trade Debts:		$3.8 million	(unsecured)
Total:		$22.6 million	

Furthermore, I estimate that the monthly service payments owing by Landdrill Group with respect to these various forms of indebtedness are approximately $450,000.00 in the aggregate. In addition, as noted above, the Landdrill Group has significant payroll obligations due on a semi-monthly and bi-weekly basis, and has ongoing costs associated with maintaining and repairing the drilling equipment which is essential to its business. Attached hereto as **Exhibit "U"** is a copy of a "Landdrill Group/Loan Security Summary" summarizing the five principal areas of indebtedness of the Landdrill Group.

New Brunswick Lawsuit

65. By Statement of Claim filed at the beginning of August, 2012, a copy of which is attached hereto as **Exhibit "V"**, HD Drilling instituted a legal action against Landdrill Mexico, Landdrill B.C. and Sprott, claiming $979,559.50 plus interest and penalties allegedly accruing under a Promissory Note given by Landdrill Mexico in connection with its purchase of the assets of HD Drilling which was guaranteed by Landdrill Barbados (the "**HD Action**"). The Landdrill Group disputes the amount claimed in this action and asserts that it is entitled to a set-off against the amount claimed. The action will also be defended on the basis that Landdrill B.C. is not the

proper party to the action, as the guarantor of Landdrill Mexico was Landdrill Barbados. In conjunction with the HD Action, the plaintiffs are also seeking an injunction by a Notice of Motion returnable September 7, 2012, a copy of which is attached hereto as **Exhibit "W"** (the "**HD Motion**"). If the stay of proceedings sought in the CCAA proceedings is granted, the HD Action and the HD Motion will be stayed. It is important to the Applicants that these proceedings be stayed, as the Applicants cannot presently afford to commit scarce financial resources to the defence of such proceedings, when such funds are needed to sustain operations during the restructuring process.

Ontario Lawsuit

66. By Statement of Claim filed on August 23, 2012, a copy of which is attached hereto as **Exhibit "X"**, Gold Canyon Resources Inc. ("**Gold Canyon**") commenced an action against Landdrill B.C., claiming damages in an amount of $300,000.00, representing a deposit payment allegedly made to Landdrill B.C. This action will be defended on the basis that the contract was cancelled improperly and we incurred expenses in excess of the amount of the deposit. Further, the party to the contract with Gold Canyon was Landdrill N.B. not Landdrill B.C. As with the HD Action, it is important to the Applicants that the action commenced by Gold Canyon be stayed, as the Applicants cannot presently afford to commit scarce financial resources to the defence of such proceedings, when such funds are needed to sustain operations during the restructuring process.

$500,000.00 Payment to Creditor

67. In June 2012, the Landdrill Group sold a drilling rig for approximately $1.7 million. It used part of the proceeds from this sale to pay one of its unsecured creditors who had made an urgently required short term loan to the Landdrill Group in an amount of $500,000.00 USD. The loan was repayable within 30 days. The Landdrill Group had agreed to pay a 5% fee upon repayment of the loan and, therefore, paid an amount of $530,000.00 to the creditor. This payment was made within 90 days, rather than 30 days which was initially required.

RECENT FINANCIAL CHALLENGES

68. A convergence of unanticipated financial challenges has resulted in a short-term liquidity crisis for the Applicants which threatens to undermine the business of the Landdrill Group to the detriment of all stakeholders. In 2011, the revenue of the Landdrill Group was approximately $65 million with approximately $5.3 million in EBITDA. In light of its purchase of 26 drilling rigs in 2011, the Landdrill Group had forecasted a budget of $80 million for the year 2012 with approximately $14 million in EBITDA. Prior to this point, it had never missed its revenue budget.

69. In the first quarter of 2012, the business began a dramatic decline. The reality is that the 2012 actual performance should be closer to between $45 and $50 million with approximately $2 million in EBITDA. During the first four months of 2012, the revenue per drill of the Landdrill Group in Canada dropped to $150,000.00 per drill (from $230,000.00 per drill in 2011), resulting in approximately a $4.4 million shortfall from the budget of the Canadian operations. Its margins were 9.5% in January 2012, 13% in February and -2% in March, resulting in an average margin of 5.9% for the first quarter of 2012.

70. By May, 2012, the Landdrill Group was seeing a significant improvement in the growth margins and staff of its Canadian operations. Its margins are back up to 30% for May and June 2012, although it is operating eight drilling rigs (down from 18) due to the slowdown in the drilling industry. If revenues continue to be $50 million, the Landdrill Group should be able to produce an EBITDA of approximately $6 million which is sufficient to service its debt plus interest.

71. Despite its short term liquidity issues, I believe that the Landdrill Group and in particular, its Canadian and Mexican operations, are financially viable. The liquidity issues have arisen from several unanticipated factors which are or will no longer be present or, in any event, will no longer be as much of a factor as they were in the first five months of 2012, including the following:

(a) **Mineral Exploration Industry** – In 2010 and 2011, the mineral exploration industry was growing significantly (between 20% and 45% per year) and the exploration business was thriving. As a result, the Landdrill Group doubled its size in each of 2010 and 2011. In the spring of 2011, many mineral exploration companies began to slow their exploration activities and spending due to an inability to raise equity with investors. This industry slowdown progressively continued until May of 2012 when the industry sustained a dramatic decrease. By May of 2012, most junior exploration companies were conserving all available cash, as a result of which they postponed their exploration programs, causing a corresponding slowdown in the diamond drilling industry by 20% to 50% (depending on the company affected). To address these challenges, the Landdrill Group has been refocusing its efforts on gaining new "intermediate" and "senior" exploration company clients and reducing its overhead. In addition, the price of gold and minerals (including gold, silver, copper, antimony, titanium, iron ore and, particularly, potash) has held up well despite the downturn in the mineral exploration market. This is a positive sign which suggests that the market for mineral exploration companies will likely rebound.

(b) **Sudden Loss of Skilled Workers** - Between November 2011 and January 2012, Landdrill N.B. lost approximately 35 of its skilled drilling operators who left the company to join competitors or to pursue alternate employment, including 15 in November to December 2011 and a further 15-20 in January 2012. One competitor alone hired 11 employees of the Landdrill Group at once with a promise of higher salary. As a result of this loss of skilled labour, Landdrill N.B. was required to hire a significant number of new drill operators to staff its field operations. Moreover, it was required to hire far more new workers than the 35 skilled workers who left employment. In particular, it was required to hire in excess of 100 new workers from January 2012 to April 2012 due to the skilled worker turnover in order to find replacements for the 35 skilled workers and to fill new positions which opened up as a result of our expanded operations. Given that the Landdrill Group is typically paid for its services based on the number of metres drilled per day, inexperienced employees can have a disproportionately negative impact on revenues and on the expenses incurred by the business on specific projects. In May 2011, some of the departed workers returned to the employment of the Landdrill Group in Wabush, Labrador. In addition, other employees gained the required experience. Due to the slowdown in the industry, there are now more experienced workers available. The margins of the Canadian operations of the Landdrill Group are back up to 30%. Although operating fewer drills, the Canadian operations of the Landdrill Group is now conducting its Canadian operations with far more experienced and better workers.

(c) **Cost of Employee Training** - Due to the remote location of its jobs and the high turnover of its skilled workers in the first quarter of 2012, the Landdrill Group incurred significant costs associated with training new workers and arranging for them to be flown to a job site in order to undergo such training.

(d) **Employee Drug Testing** - The Landdrill Group brought into effect a new drug policy late last year. Several workers refused to take a surprise drug test in February 2012, resulting in the company losing five days of revenue as three rigs were idle as a result. Approximately another dozen have failed the drug testing. Many more have declined employment offers when advised that they must be tested before becoming employed. The overall impact of this has been substantial, resulting in a loss of experienced employees and an inability to hire and retain experienced replacement workers and substantial loss of revenue.

(e) **Mongolian Mining Ban and Exploration Licence Suspensions** - As noted above, the Mongolian government suspended numerous mineral exploration licences in 2012, which stymied mining ventures in that country. As a result, the operations of the Landdrill Group were temporarily inactive and it incurred expenses in order to maintain equipment and to pay for a skeleton staff without the benefit of a corresponding revenue stream. Although the licence suspensions have now been lifted, maintaining its position in Mongolia has resulted in a strain on the short term cash-flow of the Landdrill Group.

(f) **Suspension of Mexican Exploration** – In May of 2012, Landdrill Mexico had 16 drilling rigs operative in Mexico. At the end of May 2012, a number of Landdrill Mexico customers abruptly halted drilling activities at their sites. As a result, Landdrill Mexico was reduced to having three drilling rigs operative in Mexico in June of 2012 and only two in July of 2012. While some inactive drilling rigs are to be expected in the ordinary course of operations, the abrupt and simultaneous shut down of 14 drilling rigs resulted in significant short-term liquidity problems for the Mexican operations in June, July and part of August 2012. As noted above, Landdrill Mexico currently has 10 drilling rigs operating in Mexico and is expected to have 2 additional rigs operating in early September of 2012.

APPLICANTS' CURRENT FINANCIAL CRISIS

72. As noted above, as a result of the financial difficulties facing the Landdrill Group, and as a consequence of the recent change in the Chief Financial Officer of Landdrill B.C., the Applicants are in default under their credit arrangements with Norrep, Sprott and GE.

73. The numerous demands for accelerated payment, default interest and other payment demands by secured creditors have introduced an additional financial burden to the Applicants at a time when its cash reserves are strained, and have contributed materially to the liquidity crisis which they presently face.

74. A copy of the audited consolidated financial statements for Landdrill B.C. for the period ending December 31, 2011, is attached hereto as **Exhibit "Y"**. The Applicants intend to present the other documents required by section 10(2) of the CCAA at the hearing of this application.

Recent Discussions with Secured Lenders

75. Throughout its recent financial difficulties and liquidity and cash flow issues, the Landdrill Group has kept its three principal lenders informed as to its situation and has had various discussions with these lenders as to possible solutions to these problems. The Landdrill Group has three major secured creditors, Norrep, GE and Sprott. Given its financial difficulties, management of the Landdrill Group has been in constant communication with these three major secured creditors, with the goal of resolving the current financial crisis. There have been many meetings, telephone conferences and email communications. Rather than attempt to describe each communication, I will do my best to provide an overview of what I consider to be the relevant and material information arising out of these communications.

76. By e-mail dated May 29, 2012, a copy of which is attached hereto as **Exhibit "Z"**, the former CFO of the Landdrill Group, Derrick West, forwarded to Lyle Bolen of Norrep a "Diagnostic Problems/Action Plan (Initiatives) – To Improve Operations – May 29/12" outlining various key steps which it hoped to implement in order to improve operations in 2012. By e-mail dated June 13, 2012, a copy of which is attached hereto as **Exhibit "AA"**, Lyle Bolen of Norrep forwarded to Roger Rogers of the Landdrill Group an assessment of various factors which would impact the cash flow of the Landdrill Group in 2012 and various steps which would need to be implemented in order for it to conserve cash and remain viable in 2012 (such as selling off certain rigs and related inventory, lowering inventory levels and cutting overhead).

June 20, 2012

77. On June 20, 2012, an initial meeting was held in Toronto attended by Chris Johnson, Brent Hughes and Lyle Bolen of Norrep and Mike Tripp, Roger Rogers and Ron Goguen (the Landdrill Group). The purpose of this meeting was to provide a business update and discuss the alleged default position of the Landdrill Group. During this meeting, Norrep expressed concern that the Landdrill Group might experience a cash shortage in the following weeks and requested an action plan on how it would manage its debt position going forward. Norrep suggested that a group lenders meeting be held in order to achieve concurrence as to the situation, that all lenders would need to participate in the solution and that the Landdrill Group not make the interest payments on the Convertible Debentures which were due at the end of the month. Norrep requested that principal payments begin on its loan in an effort to reduce the balance. Norrep also advised that it intended to implement a $5,000.00 per month monitoring fee. Norrep also stated that its loan required additional interest payments of 4% annualized based on the default position of the Landdrill Group, which would be retroactive to April 1, 2012. The Landdrill Group advised that it was considering the sale of some portion of its business and that it would be preparing updated cash flow statements.

July 24–August 7, 2012

78. Between July 24, 2012 and August 7, 2012, a series of three separate meetings was held between representatives of the Landdrill Group and representatives of the three major secured creditors. At each of these meetings, the Landdrill Group was accompanied by legal counsel

from Borden Ladner Gervais and a representative of the firm of Ernst & Young Inc. ("**E&Y**"), both of whom had been engaged by the Landdrill Group to assist in addressing the current financial crisis and in preparing for a possible restructuring. Each of these separate secured creditor meetings was held on a "without prejudice" basis. Without revealing the content of any without prejudice communications, I can state that the agenda of the Landdrill Group at each of these meetings was to do the following:

(a) provide an updated 13-week cash flow

(b) provide updated EBITDA statements by country to December 31, 2012;

(c) provide updated EBITDA statements by country to June 30, 2013;

(d) provide updated financial statements to December 31, 2012;

(e) provide updated financial statement to June 30, 2013;

(f) identify the short and long term cash requirements of the Landdrill Group; and

(g) propose the concept of lender forbearance.

79. By "without prejudice" memorandum dated July 30, 2012 which was forwarded to GE and discussed with Sprott and Norrep, the Landdrill Group described generally the steps which it planned to take in order to remain a viable entity and to work with its lenders so as to pursue a restructuring for the benefit of all stakeholders. The Landdrill Group is prepared to waive its privilege designation on this document, which is attached hereto as **Exhibit "BB"**.

80. On or about August 2, 2012, the Landdrill Group engaged an external advisor to facilitate the possible sale of the Canadian, Mexican and/or Mongolian assets. Attached hereto as **Exhibit "CC"** is a copy of the engagement letter (with a summary of precedent M & A Fees) entered into between the Landdrill Group and Clarus Securities Inc./John Jentz ("**Mr. Jentz**"). Mr. Jentz was engaged as of August 2, 2012 and started working immediately thereafter.

August 9, 2012

81. On August 9, 2012, a lender meeting was held in Toronto which was attended by Chris Johnson (Norrep), Andrew Steuter (Sprott), Jim Grosdanis (Sprott), John Jentz (Managing Director, Investment Banking, Clarus Securities Inc.), Roger Rogers and Ron Goguen (the Landdrill Group). The purpose of the meeting was to:

(a) introduce John Jentz as an advisor to the Landdrill Group with the primary purpose of selling all or some of the company to reduce debt;

(b) provide a business update detailing the Q2 loss;

(c) provide updated EBITDA statements to the end of December 2012 (without prejudice); and

(d) request a 90 day forbearance period.

82. During this meeting, Sprott was very concerned with the erosion of its Mexican security and made multiple comments with respect to its option to enforce its security. The concept of forbearance was discussed multiple times and the associated requirements if it were to be accepted. Some of the potential requirements discussed were:

(a) a written action plan on how the sales process would be conducted with associated milestones;

(b) written confirmation that the CEO and board of the Landdrill Group would consider all offers;

(c) an indication as to how any immediate cash shortfall would be satisfied and how a lender would be compensated if it was required to relinquish a portion of its security; and

(d) a request that the Landdrill Group prepare a draft forbearance agreement and send this draft agreement to the lenders for review.

83. As previously mentioned, demands for payment and Notices of Intention to Enforce Security were received from Sprott at the New Brunswick offices of the Landdrill Group by facsimile on the evening of August 13, 2012. Copies of the same demands and Notices were received by registered mail on August 15, 2012.

August 14, 2012

84. A meeting was held in Montreal on August 14, 2012 with David Meldrum (GE), Jean-Sebastien Grise (GE), Michael Pisani (GE via conference call), John Jentz (Clarus) and Roger Rogers and Ron Goguen (the Landdrill Group). The purpose of the meeting was to:

(a) introduce John Jentz as an advisor to the Landdrill Group with the primary purpose of selling all or some of the company to reduce debt;

(b) provide a business update detailing the Q2 loss;

(c) provide updated EBITDA statements to the end of December 2012 (without prejudice); and

(d) request a 90 day forbearance period.

85. During this meeting, the Landdrill Group advised that it had met with the other secured lenders and that, in its opinion, they were receptive to a forbearance agreement with specific conditions. I detailed the operational issues which the company had experienced and which had caused its cash shortage. GE inquired as to a legal action which had been commenced by HD Drilling in New Brunswick, how the Landdrill Group planned to address this action. The Landdrill Group advised that one company had already commenced due diligence in regards to a possible merger. GE requested access to the relevant Vendor Data Room (accessible though a password on the internet) and copies of the applicable Confidentiality Agreements. It also requested contact information for the other lenders.

August 15-August 22, 2012

86. Upon the receipt of the Sprott demands and Notices of Intention to Enforce Security, we informed GE and Norrep of this unfortunate development, which significantly increased the

pressure on the Landdrill Group to attempt to negotiate a forbearance agreement that would be acceptable to not one, but three secured creditors.

87. During the period of August 15 to August 22, 2012, the Landdrill Group proposed various options for a workable forbearance agreement to the three major secured creditors. While we believed that we had a good chance of negotiating a forbearance agreement that could be acceptable to GE and Norrep and which would be workable for the international operations of the Landdrill Group, we unfortunately had made little if any positive progress with Sprott. Sprott had agreed to continue discussions without prejudice to the 10 day notice period required for it to enforce its security. Sprott's position with respect to our proposed forbearance terms focused on the following alleged deficiencies:

(a) the absence of a "lock-box" (which would be a bank account controlled by Sprott);

(b) the proposed "ring-fence" around Mexico was insufficient – which was intended to ensure that no funds would flow out of Mexico to any of the other companies in the Landdrill Group;

(c) the lack of progress in obtaining interim financing for the requested forbearance period.

88. In response to Sprott's demands for a "lock box", the Landdrill Group explained that a lock box was not a workable solution because it would not allow access to funds required to continue operations. As to the proposed "ring-fence", we maintained that the existing operations were sufficient to protect Sprott's security. As to making progress on obtaining interim financing, the Landdrill Group was actually engaged in negotiations with Norrep for interim financing and we believed that we were making good progress in that we had received oral assurances from Norrep's CEO and President, Christopher Johnston, that Norrep or one of its related entities would provide the required interim financing; however, a formal agreement and term sheet had not been received from Norrep.

89. Throughout the same time frame, Sprott presented the Landdrill Group with numerous requests for detailed financial and operational information, most of which was focused on the

operations and assets located in Mexico. In response to their requests, the Landdrill Group provided Sprott with the requested information.

90. On August 20, 2012, legal counsel for GE provided the Landdrill Group and the other secured creditors with the form of forbearance agreement acceptable to GE. This was provided in advance of a telephone conference scheduled for the following day between the representatives of the Landdrill Group and the three major secured creditors.

91. On August 21, 2012, Sprott's representative, Andrew Steuter, sent an email to the Landdrill Group and representatives of the other two secured creditors, Norrep and GE, in which he stated, among other things, the following:

> We have conferred with counsel and discussed the forbearance agreement. We do not believe we will execute the agreement but feel a call will be beneficial to listen to the views of Landdrill and the other lenders. Additionally, it will be fruitful to discuss what would happen on Thursday once the 10-day notice period expires.

In reply e-mails, a call was arranged for 8:00 p.m. Atlantic time wherein the Landdrill Group and representatives of the three major secured creditors would discuss the GE proposed forbearance agreement. A copy of the above-referenced email exchange between the parties is attached hereto as **Exhibit "DD"**.

92. Unfortunately, the call held at 8:00 p.m. on August 21 did not go well from the perspective of the Landdrill Group as it was apparent that Sprott was not prepared to enter into a forbearance agreement, notwithstanding that GE and Norrep appeared to be prepared to do so.

93. On August 22, 2012, Sprott sent an e-mail to the Landdrill Group, GE and Norrep which confirmed that Sprott would not enter into a forbearance agreement and will "vehemently oppose CCAA proceedings". A copy of Sprott's email is attached hereto as **Exhibit "EE"**. As noted therein, Sprott specifically requested that it receive adequate notice of the initial CCAA application and that the Landdrill Group advise of the jurisdiction in which it would be seeking the Order.

94. Notwithstanding Sprott's request for advance and ample notice of a CCAA application, the Landdrill Group is seeking the relief sought on this initial application without advance notice

to Sprott. Given the fact that Sprott's 10 day notice period has now expired and in view of Sprott's refusal to agree to forbearance, the Landdrill Group cannot take the risk that Sprott would not immediately commence enforcement proceedings upon receiving advance notice of this CCAA application. The options available to Sprott may include immediate enforcement through the exercise of its share pledge agreements (and related documents) with Landdrill N.B., Landdrill Barbados and Landdrill Mexico, whereby Sprott could immediately purport to seize control of any or all of these three companies, replace the Board of Directors and management and thereby frustrate the Applicants' attempts to seek creditor protection under the CCAA.

95. During the period of August 15 to August 22, 2012, the Landdrill Group was actively pursuing negotiations with Norrep with respect to obtaining interim financing to support a period of forbearance, if that could be successfully negotiated, or, alternatively, interim "debtor in possession" financing to support the company in the event that a filing for creditor protection under the CCAA was necessary. Throughout these negotiations, the Landdrill Group was assured that Norrep was prepared to advance the necessary interim financing required to enable the Landdrill Group to continue operations during the period when it sought a purchaser for some or all of its operations or assets. However, as of August 22, 2012, the Landdrill Group had not received either a draft commitment letter or a draft term sheet from Norrep, notwithstanding that it had been repeatedly requested by the Landdrill Group.

August 23-26

96. Between August 3 and August 25, 2012, representatives of the Landdrill Group continued discussions with representatives of Norrep and GE with a view to finding a solution in the form of a forbearance agreement, a consensual creditor protection application or some combination of these two that would be acceptable to the Landdrill Group and the three major secured creditors. Numerous "without prejudice" communications took place between the parties during this period. By late in the day on August 25, 2012, it was apparent that an arrangement acceptable to the Landdrill Group and all three major secured creditors could not be reached. Without prejudice negotiations then commenced between Norrep and the Landdrill Group with a view to determining whether Norrep and/or GE would support a CCAA filing and provide the necessary interim debtor in possession financing.

97. Late in the day on August 26, 2012, Norrep advised that, subject to certain conditions (involving agreement on the terms of the proposed order and completion of acceptable terms for the interim financing), Norrep would support a CCAA application and would provide a yet to be agreed amount of interim debtor in possession financing. We are still working on completion of this conditional agreement as of the time of swearing this Affidavit. I will provide the Court with the completed agreement by way of a supplementary affidavit, and the form of proposed CCAA Order that is acceptable to the Landdrill Group and Norrep, on or before the hearing of this application.

PROTECTION FROM CREDITORS

The Applicants are Insolvent

98. The Applicants do not have the funds necessary to meet their liabilities as they come due. As a result, the Applicants are insolvent. Furthermore, the Applicants are facing a liquidity crisis due to low cash reserves and imminent payroll and debt service obligations. While the long-term prospects for the Applicants appear to be favourable, it is apparent that, without creditor protection, the business of the Applicants will fail before those prospects can be realized. In the process, approximately 300 employees worldwide (including approximately 80 Canadian employees) will lose their jobs and significant realization value will be lost as individual creditors take enforcement steps against of the business and its assets. It is for this reason that the Applicants are seeking protection from their creditors under the CCAA.

The Aggregate Indebtedness of the Applicants Exceeds $5,000,000

99. The aggregate indebtedness of the Applicants is approximately $22.6 million as broken down above. Each of the Applicants is a guarantor under the Norrep credit agreement, such that each of the Applicants is indebted to Norrep in an amount of at least $8,000,000.00.

The Applicants Require a Stay of Proceedings

100. As noted above, the Applicants do not have the funds required to meet their liabilities as they come due. In particular, the Applicants do not have sufficient cash reserves to meet their imminent payroll obligations and their debt service obligations under the various credit agreements and the Convertible Debentures. The Applicants seek a stay of proceedings in order

to stabilize their operations and to provide the opportunity to attempt to restructure or to sell or recapitalize the business in a swift but orderly manner so as to maximize value for all stakeholders. A draft Initial Order under the CCAA, which is acceptable to the Applicants and Norrep (as DIP lender), will be presented to the Court at the hearing of this application.

101. The Applicants will not have sufficient cash reserves to cover their anticipated operating expenses through to the end of the initial stay period sought in this application. In order to implement a full restructuring or an orderly sale of the business of the Applicants, additional interim financing will be required to cover operating expenses.

The Applicants Propose the Appointment of Ernst & Young as Monitor

102. The Applicants propose that E&Y be appointed Monitor for this proceeding. E&Y is familiar with the Landdrill Group business through its work as the financial advisor to the Applicants and is the logical choice to continue in the role of Monitor. E&Y is not the auditor for any of the Applicants and has consented to act as Monitor, if so appointed by the Court. A copy of the written consent of E&Y to act as Monitor will be presented to the Court at the hearing of this application.

There are currently Prospects for a Successful Restructuring or Sale

103. In early August of 2012, the Landdrill Group made contact with a reputable public company in the drilling industry with a view to a merger. This company has expressed a definite interest in a potential merger with the Landdrill Group and the parties have executed a confidentiality agreement. This company is now in the process of conducting its due diligence. In view of the Confidentiality Agreement, I am not at liberty to describe the name of the potential purchaser on the public record. In addition, with the assistance of John Jentz of Clarus, the Applicants are in the process of soliciting interest for the purchase of the Landdrill Group (or the Canadian assets thereof) from other companies in the drilling industry. Attached hereto as **Exhibit "FF"** is a copy of a "Timing Framework" dated August 15, 2012 which was provided by Mr. Jentz for the three major secured creditors.

The Applicants Require Court-Ordered Administrative Charges to Facilitate the Retention of Financial and Legal Advisors

104. In order to successfully restructure or sell their business, the Applicants anticipate that they will require the assistance of legal and financial advisors. Given the current financial condition of the Applicants, it is unlikely that any such advisors would agree to assist the Applicants through this period of uncertainty without the benefit of court-ordered charges against the assets of the Applicants. The Applicants are therefore seeking approval of a Court-ordered administrative charge (the "**Administration Charge**") on the assets, undertaking and property of the Landdrill Group in the maximum amount of $400,000.00 to secure payment of the fees and disbursements of: (a) the proposed Monitor, E&Y, (b) the Monitor's counsel, (c) the Applicants' New Brunswick counsel, Stewart McKelvey, (d) the Applicants' Ontario counsel, Borden Ladner Gervais, and (e) the Applicant's Mexican counsel (the "**Insolvency Professionals**"). The Applicants seek a charge to secure the fees and disbursements incurred in connection with services rendered to the Landdrill Group both before and after the commencement of the CCAA proceedings.

105. The size of the proposed Administrative Charge is $400,000.00, which the Applicants anticipate will be sufficient to fully secure any unpaid fees and disbursements which may be incurred by the Insolvency Professionals during the CCAA proceedings. In addition, it is proposed that the Insolvency professionals will be paid from the cash flow of the Landdrill Group on a weekly basis, such that the Administrative Charge would only be utilized in the event that the cash flow of the Landdrill Group was insufficient or the CCAA proceedings were terminated at a time when the accounts of the Insolvency Professionals were not fully paid.

106. The Applicants have worked with the proposed Monitor to determine the proposed quantum of the Administration Charge and believe it to be reasonable and appropriate in view of the complexity of the CCAA proceedings and the services to be provided by the beneficiaries of the Administration Charge.

107. The proposed Initial Order provides that the Administration Charge will rank ahead in priority to the existing security interests of the Lenders, but behind all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise

(collectively, the "**Encumbrances**") in favour of any persons that have not been served with notice of this application.

108. The Applicants intend to return to Court on the Comeback Motion and seek an Order granting a super-priority to the Administration Charge ahead of the Encumbrances.

The Applicants Require a Court-Ordered Critical Supplier Charge to encourage the Critical Suppliers of the business to continue supplying during this Period of Uncertainty

109. The Landdrill Group is dependent upon certain of their suppliers and service providers which provide products and services which are critical to the continued operation of the business. Accordingly, the Applicants have identified a number of suppliers which are critical to the ongoing operation of the business of the Landdrill Group. A complete listing of the suppliers and service providers considered critical by the Applicants (the "**Critical Suppliers**") is attached hereto as **Exhibit "GG"**. They include the following suppliers:

(a) Sandvik Mining and Construction which is the manufacturer and sole supplier of the Sandvik air hammer system currently used by the Landdrill Group in its Canadian operations. We constantly require replacement parts from Sandvik to keep this system operational;

(b) Usinage Marcotte Inc. which is the manufacturer of approximately 60% of the Canadian Landdrill N.B. fleet and the sole supplier of all of the repair parts used for these drill rigs, which regularly require replacement parts;

(c) M. Beauregard Equipment Inc. which is the only Canadian supplier of repair parts for the Schram T450 RC Drill which is currently in operation in Canada and which requires repair parts on a weekly basis;

(d) Hydraulic Val d'Or which has designed the hydraulic systems on several of our drill rigs and which repairs several types of hydraulic components which are critical to our drill rig's operation; and

(e) Detour Machining which is a custom machining and fabrication company and the only machine repair shop within a reasonable proximity of the Detour Lake Mine, Cochrane, Ontario (where 2 of the rigs of the Landdrill Group are located). Without access to this repair shop, we would suffer considerable unnecessary downtime waiting for repairs.

110. Any interruption of supply or service by the Critical Suppliers could have an immediate adverse impact on the business, operations and cash flow of the Landdrill Group and could materially impact the value of the business. Accordingly, the Applicants seek an Order pursuant to section 11.4 of the CCAA:

(a) designating the Critical Suppliers as critical suppliers;

(b) requiring the Critical Suppliers to continue to supply on terms of payment consisting of payment on the next business day on which the Landdrill Group would normally issue cheques, provided that such date is at least 2 business days following receipt of the invoice; and

(c) granting a charge over the assets, undertaking and property of the Landdrill Group in the amount of the value of the goods or services received after the date of the Initial Order as security for payment, less all amounts paid to the Critical Suppliers in respect of such goods and services (the "**Critical Supplier Charge**").

111. The Applicants intend to return to Court on the Comeback Motion and seek an Order granting a super-priority to the Critical Supplier Charge ahead of the Encumbrances.

The Applicants Require Court-Ordered Directors' Charges to Encourage the Existing Directors and Officers to remain with the Business during this Period of Uncertainty

112. In order to ensure the ongoing stability of the business of the Landdrill Group during the CCAA period, the Applicants require the continued participation of the officers and executives who manage the business and commercial activities of the Landdrill Group.

113. The officers and directors of the Applicants have considerable knowledge and financial experience, particularly with the business of the Landdrill Group, and have provided substantial direction to management on all key initiatives undertaken over the past several years. The Applicants are of the view that the continued participation of the existing directors and officers is fundamental to and will be a key element in any successful restructuring or sale of the business of the Landdrill Group. Several directors of Landdrill B.C. have recently raised concerns regarding their exposure in the event that the existing insurance coverage proved to be insufficient. In addition, I face considerable exposure as the sole director of Landdrill N.B., the principal operating company.

114. The current directors' and officers' liability insurance policy will expire on December 31, 2012. It is the intention of the Applicants to seek to have the policy renewed for the duration of any CCAA proceedings.

115. The directors and officers of the Landdrill Group companies may risk personal liability for amounts which accrue in the CCAA proceedings for employee-related liabilities. The Landdrill Group has no financial ability to indemnify the directors and officers should such personal liability accrue. There is little incentive for the directors and officers to remain at their positions, given the current financial crisis and if the Applicants are operating under the CCAA Order sought herein. I believe that, given their experience in the unique affairs of the Landdrill Group and their ongoing oversight of the business, the services of the directors and officers are absolutely valuable and necessary to a successful CCAA proceeding and that a director's and officer's charge over all of the assets of the Applicants should therefore be granted in the amount of $1.5 million CDN.

116. The proposed Initial Order contemplates the establishment of a charge on the Property in the amount of $1.5 million CDN (the "**Directors' Charge**") to protect the directors and officers against obligations and liabilities which they may incur as directors and officers of the Landdrill Group. The benefit of the Directors' Charge will only be available to the extent that a liability is not covered by applicable Directors' and Officers' Insurance.

117. The Landdrill Group has worked with the proposed Monitor in determining the proposed quantum of the Directors' Charge and believe the Directors' Charge is reasonable in the circumstances.

118. The Applicants intend to return to Court on the Comeback Motion and seek an Order granting super-priority to the Directors' Charge ahead of the Encumbrances.

The Applicants Require Court-Ordered DIP Financing and a DIP Charge to complete its restructuring or an orderly sale of its business and assets

119. The cash resources of the Landdrill Group will not meet its post-filing obligations. To resolve this issue, the Applicants propose and are seeking Court approval of debtor-in-possession financing (the "**DIP Facility**") and a charge over the assets, undertaking and property of the Landdrill Group securing same (the "**DIP Charge**"). In addition to addressing the liquidity issues of the Landdrill Group, the DIP Facility will provide an assurance to the suppliers, employees, customers and other stakeholders of the Landdrill Group that it will continue operating as a going concern during the CCAA proceedings. Such a DIP facility is considered by the Applicants to be essential in the circumstances.

Recognition of the CCAA Proceedings in Mexico

120. Landdrill Mexico has significant assets, employees and operations in Mexico, outside of the jurisdiction of this Court. Given the complex relationship between the loan and security arrangements of Landdrill Mexico and the other Applicants, and given the similarities and integration between the business of Landdrill Mexico and the business of the other Applicants, I believe that it is in the interest of all stakeholders that the reorganization or orderly sale of the business of the Applicants be conducted harmoniously in both Canada and Mexico. To facilitate this, the Applicants are requesting that this Court order a stay of proceedings in Canada with respect to the assets of Landdrill Mexico in Canada, and furthermore, that any Monitor appointed in these CCAA proceedings be authorized to seek a recognition of these CCAA proceedings in Mexico so as to obtain the benefit of a stay of proceedings and other insolvency relief in that jurisdiction.

121. I make this Affidavit in support of an application on behalf of the Applicants for, among other things, an Initial Order pursuant to section 11 of the CCAA.

SWORN TO at the City of Saint John and Province of New Brunswick, this 27th day of August 2012.	
BEFORE ME:	
Jeffrey B. Parker Commissioner of Oaths, Being a Solicitor	**Ronald J. Goguen**