

This is Exhibit "V" to the Affidavit of
Ronald J. Goguen sworn to on the 27th
day of August 2012.



Jeffrey R. Parker
Commissioner of Oaths
Being a Solicitor

Court File No.: *MC 937-12*

IN THE COURT OF QUEEN'S BENCH OF
NEW BRUNSWICK

TRIAL DIVISION

JUDICIAL DISTRICT OF MONCTON

N° du dossier de la Cour :

COUR DU BANC DE LA REINE DU
NOUVEAU-BRUNSWICK

DIVISION DE PREMIÈRE INSTANCE

CIRCONSCRIPTION JUDICIAIRE DE MONCTON

BETWEEN:

INFLIGHT DRILLING, S. DE R.L. DE C.V. and
HD DRILLING, S. DE R.L. DE C.V.

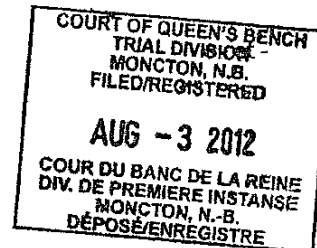
PLAINTIFFS

- and -

LANDDRILL INTERNATIONAL MÉXICO,
S.A. DE C.V., LANDDRILL INTERNATIONAL,
INC., and SPROTT RESOURCES LENDING
PARTNERSHIP

DEFENDANTS

ENTRE :



DEMANDERESSE

DÉFENDEUR

NOTICE OF ACTION WITH STATEMENT OF
CLAIM ATTACHED
(FORM 16A)

AVIS DE POURSUITE ACCOMPAGNÉ D'UN
EXPOSÉ DE LA DEMANDE
(FORMULE 16A)

TO: The Defendants, See Schedule "A"

DESTINATAIRES :

LEGAL PROCEEDINGS HAVE BEEN COMMENCED
AGAINST YOU BY FILING THIS NOTICE OF ACTION WITH
STATEMENT OF CLAIM ATTACHED.

PAR LE DÉPÔT DU PRÉSENT AVIS DE POURSUITE
ACCOMPAGNÉ D'UN EXPOSÉ DE LA DEMANDE, UNE
POURSUITE JUDICIAIRE A ÉTÉ ENGAGÉE CONTRE
VOUS.

If you wish to defend these proceedings, either you or
a New Brunswick lawyer acting on your behalf must
prepare your Statement of Defence in the form
prescribed by the *Rules of Court* and serve it on the
plaintiffs or the plaintiffs' lawyer at the address shown
below and, with proof of such service, file it in this
Court Office together with the filing fee of \$50.00,

Si vous désirez présenter une défense dans cette
instance, vous-même ou un avocat du Nouveau-
Brunswick chargé de vous représenter devrez rédiger
un exposé de votre défense en la forme prescrite par
les *Règles de procédure*, le signifier au demandeur ou
à son avocat à l'adresse indiquée ci-dessous et le
déposer au greffe de cette Cour avec un droit de dépôt
de 50 \$ et une preuve de sa signification:

- a) if you are served in New Brunswick, WITHIN 20 DAYS after service on you of this Notice of Action with Statement of Claim Attached, or
- b) if you are served elsewhere in Canada or in the United States of America, WITHIN 40 DAYS after such service, or
- c) if you are served anywhere else, WITHIN 60 DAYS after such service.

If you fail to do so, you may be deemed to have admitted any claim made against you, and without further notice to you, JUDGMENT MAY BE GIVEN AGAINST YOU IN YOUR ABSENCE.

You are advised that:

- a) you are entitled to issue documents and present evidence in the proceeding in English or French or both;
- b) the plaintiffs intend to proceed in the ENGLISH language;
- c) your Statement of Defence must indicate the language in which you intend to proceed; and

Where the claim is for a liquidated demand or to recover a debt, with or without interest, insert the following notice:

If you pay to the plaintiffs or the plaintiffs' lawyer the amount of the plaintiffs' claim together with the sum of \$100 for the plaintiffs' costs, within the time you are required to serve and file your Statement of Defence, further proceedings will be stayed or you may apply to the court to have the action dismissed.

- a) DANS LES 20 JOURS de la signification qui vous sera faite du présent avis de poursuite accompagné d'un exposé de la demande, si elle vous est faite au Nouveau-Brunswick, ou
- b) DANS LES 40 JOURS de la signification si elle vous est faite dans une autre région du Canada ou dans les États-Unis d'Amérique, ou
- c) DANS LES 60 JOURS de la signification si elle vous est faite ailleurs.

Si vous omettez de le faire, vous pourrez être réputé avoir admis toute demande formulée contre vous et, sans autre avis, JUGEMENT POURRA ÊTRE RENDU CONTRE VOUS

Sachez que :

- a) vous avez le droit dans la présente instance, d'émettre des documents et de présenter votre preuve en français, en anglais ou dans les deux langues;
- b) le demandeur a l'intention d'utiliser la langue ANGLAISE;
- c) l'exposé de votre défense doit indiquer la langue que vous avez l'intention d'utiliser; et

Si la demande a pour objet la perception d'une somme déterminée ou le recouvrement d'une créance avec ou sans intérêts, ajouter le paragraphe suivant:

Si, dans le délai accordé pour la signification et le dépôt de l'exposé de votre défense, vous payez au demandeur ou à son avocat le montant qu'il réclame, plus 100 \$ pour couvrir ses frais, il y aura suspension de l'instance ou vous pourrez demander à la court de rejeter l'action.

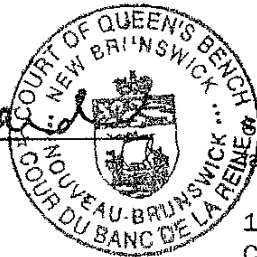
THIS NOTICE is signed and sealed for the Court of
Queen's Bench by Anne Richard, Clerk of the Court at
Moncton, on the 3 day of ^{July}~~July~~ ^{August}, 2012.

CET AVIS est signé et scellé au nom de la Cour du
Banc de la Reine par _____, greffier de la Cour
à _____, ce ____ jour de juillet 2012.

Court
Seal

Anne Richard

(Clerk)



Seau de
Cour

(greffier)

145 Assumption Boulevard
P. O. Box 5001
Moncton, NB E1C 8R3

145, boulevard Assomption
C.P. 5001
Moncton, NB E1C 8R3

STATEMENT OF CLAIM

PARTIES

1. The Plaintiff, INFLIGHT DRILLING, S. DE R.L. DE C.V. ("InFlight") is a body corporate incorporated under the laws of Mexico. At all times material to the within Action, InFlight was the vendor of assets pursuant to an asset purchase agreement hereinafter defined.
2. The Plaintiff, HD DRILLING, S. DE R.L. DE C.V. ("HD") is a body corporate incorporated under the laws of Mexico. At all times material to the within Action, HD and InFlight were related companies in that HD conducted the drilling operations and entered into exploratory service contracts with various clients and InFlight provided the tools, materials and various other assets required by HD to conduct such operations.
3. The Defendant, LANDDRILL INTERNATIONAL MÉXICO, S.A. DE C.V. ("Landdrill Mexico"), is a body corporate incorporated under the laws of Mexico. At all times material to the within action, Landdrill Mexico was the purchaser of assets sold by InFlight pursuant to an asset purchase agreement hereinafter defined.
4. The Defendant, LANDDRILL INTERNATIONAL INC. ("Landdrill Inc."), is a publicly traded company trading on the TSX Venture Exchange under the symbol "LDI" and it is a body corporate that is incorporated under the laws of British Columbia and having its head office in Moncton, New Brunswick. At all times material to the within action, Landdrill Inc. was the parent company of Landdrill Mexico and co-signor of a Promissory Note (hereinafter defined) used in connection with the purchase of assets by Landdrill Mexico from InFlight.
5. The Defendant, SPROTT RESOURCES LENDING PARTNERSHIP ("Sprott"), is a general partnership formed under the laws of Ontario. At all times material to the within action, Sprott became a creditor of Landdrill Inc. pursuant to a Credit Agreement (hereinafter defined).

BACKGROUND

6. The Plaintiffs are in the mining and exploration business in various markets, including the Country of Mexico.

7. On or about December 20, 2010, Landdrill Mexico entered into an Asset Purchase Agreement (the "APS") with InFlight and a number of covenantors for the purchase of mining and drilling assets owned by InFlight and utilized to conduct exploration activities throughout Mexico (the "Assets").
8. By virtue of the APS, the parties agreed that the laws of Canada would apply to the APS, and that all disputes or claims arising out of the APS would be settled in the New Brunswick jurisdiction.
9. The transaction contemplated by the APS was scheduled to close March 31, 2011. At that time, there remained a considerable sum outstanding owed by Landdrill Mexico for the purchase of the Assets. Ultimately, InFlight agreed to transfer the Assets upon the execution of an Asset Purchase Agreement Addendum dated March 31, 2011 (the "Addendum") and a Promissory Note signed March 31, 2011 (the "Promissory Note").
10. In negotiating the terms of the Addendum, two essential terms were included at InFlight's and HD's request:
 - a) that the Promissory Note would be satisfied in full on or before April 30, 2011; and
 - b) that Landdrill Mexico will not be able to lease, sell, give guarantee as collateral or perform any other act that may affect the Assets until payment in full has been received by InFlight.

INDEBTEDNESS AND DEFAULT OF LANDDRILL MEXICO AND LANDDRILL INC.

11. The Promissory Note represented the purchase price which remained outstanding at the time of execution of the Addendum, being \$4,988,000.00 USD. The Promissory Note to the benefit of InFlight and HD was executed by Landdrill Mexico and countersigned and secured by Landdrill International, Inc., Landdrill Mexico's parent company. The Promissory Note bears an interest rate of 6% per annum and a late penalty charge of 2% monthly for any arrears.
12. The deadline for repayment of the Promissory Note passed without any payments being made. The following payments, all subsequent to the April 30, 2011 deadline, were received from Landdrill Mexico in partial satisfaction of the Promissory Note:

<u>Date</u>	<u>Payment amount</u>	<u>Recipient</u>
June 13, 2011	\$500,000.00	InFlight
Aug. 8, 2011	\$500,000.00	InFlight
Aug. 8, 2011	\$2,712,000.00	InFlight
Aug. 10, 2011	\$288,000.00	HD
Aug. 15, 2011	\$288,000.00	HD
Sept. 19, 2011	\$170,000.00	HD
Oct. 20, 2011	\$170,000.00	InFlight
Nov. 16, 2011	\$170,000.00	InFlight

13. InFlight and HD applied the payments first to the interest and penalties accruing and any remaining funds to the principal owing on the Promissory Note. As at May 31, 2012, there remained outstanding \$979,559.50 on the Promissory Note. Neither InFlight nor HD has received any payment on account of the Promissory Note since November 16, 2011.

BREACH OF CONTRACT

14. In July 2011, Landdrill Mexico and Landdrill Inc., among others, entered into a Credit Agreement in favor of Sprott Resource Lending Partnership ("Sprott") for the purpose of securing the sum of \$4,000,000.00 (the "Credit Agreement"). The \$4,000,000.00 loan by Sprott to Landdrill Inc. was intended exclusively to reduce what is defined as the Acquisition Debt in the Credit Agreement; this debt being the one owed to Inflight by Landdrill Mexico and secured by Landrill Inc. on the Promissory Note.
15. The \$4,000,000.00 loan from Sprott to Landdrill Mexico was not in effect exclusively used to pay down Landdrill Mexico's indebtedness pursuant to the Promissory Note. Further, the Assets sold by InFlight to Landdrill Mexico were granted as security for the \$4,000,000.00 loan made by Sprott to the Landdrill companies pursuant to the Credit Agreement. The granting of such security constituted a direct breach of the terms of the Addendum.

16. Sprott had direct and prior knowledge of the terms of the transaction between InFlight and Landdrill Mexico. Sprott had direct and prior knowledge that the Assets transferred could not be encumbered by Landdrill Mexico.
17. The Plaintiffs plead and rely on the *Bills of Exchange Act*, R.S.C. 1985, c. B-4., including without limitation sections 179 to 184 of Act.

DEMAND

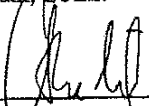
18. In light of the default on the Promissory Note and the breach of contract described above, the Plaintiffs issued a formal demand for the payment of Landdrill Mexico's outstanding indebtedness pursuant to the Promissory Note.
19. On or about June 8, 2012, Landdrill Inc. was served with the formal demand for payment of the Promissory Note (the "Demand Letter"). The Demand Letter for the outstanding indebtedness of \$979,559.50 contained a complete accounting of the payments received and interest and penalties accrued on the Promissory Note. The deadline by which payment in full was to be made in accordance with the Demand Letter was June 16, 2012.
20. Neither InFlight nor HD received any further payments from Landdrill México or Landdrill International Inc. to satisfy the indebtedness pursuant to the Promissory Note.
21. Landdrill Inc. is in a tenuous financial position; its audited financial statements dated December 31, 2011, indicate that the company's "*circumstances cast significant doubt as to the ability to meet its obligations as they come due [...]*".
22. InFlight and HD will lose its capacity to realize on the assets it sold to Landdrill México as stated in the APS unless there is intervention of this Court to ensure compliance of the covenant and undertaking provided by Landrill Mexico as it relates namely to the provisions of the Addendum referenced at paragraph 10 of the within Statement of Claim.

THE PLAINTIFFS' CLAIM

23. The Plaintiffs claim as against Landdrill Mexico and Landdrill Inc., jointly and severally:
- a) \$979,559.50, plus interest and penalties accruing in accordance with the Promissory Note, from the date of demand to the date of judgment;
24. The Plaintiffs claims as against Sprott:
- a) A declaration that Sprott's security on the Assets is invalid and is set aside;
25. The Plaintiffs claim as against all of the Defendants, jointly and severally:
- a) An injunction barring any of the Defendants from leasing, selling, giving guarantee as collateral or performing any other act that may affect the Asset until such time as the Promissory Note has been repaid in full;
 - b) its costs of the within action, plus applicable Harmonized Sales Tax; and
 - c) such further and other relief as to this Honourable Court seems just.
26. The Plaintiffs intend to proceed in the English language.

DATED at Moncton, New Brunswick, this 3rd day of August, 2012.

FAIT à Moncton, Nouveau-Brunswick, le 20__.



Lawyer for the Plaintiffs

Avocat du demandeur

CHRISTIAN E. MICHAUD

CHRISTIAN E. MICHAUD

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File No.: **212/7995**

No de dossier: