

EXECUTION COPY

**SHARE PURCHASE AGREEMENT
FOR THE PURCHASE OF ALL OF
THE ISSUED AND OUTSTANDING SHARES OF
THE SHARE CAPITAL OF
FORAGE À DIAMANT BENOÎT LTÉE
BY
MAJOR DRILLING GROUP INTERNATIONAL INC.**

DATED AS OF AUGUST 1, 2008

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SHARE PURCHASE AGREEMENT dated as of August 1, 2008.

AMONG: **MAJOR DRILLING GROUP INTERNATIONAL INC.**, a corporation incorporated under the laws of Canada, having its head office at 111 St. Georges Street, Suite 200, Moncton, New Brunswick, herein acting and represented by its duly authorized representative as he so declares;

(hereinafter referred to as the “**Purchaser**”)

AND: **PIERRE BENOIT**, residing at 429 Sabourin Boulevard, Val-d’Or, Quebec, J9P 5B2 (“**Pierre**”);

JOHANNE BENOIT, residing at 429 Sabourin Boulevard, Val-d’Or, Quebec, J9P 5B2 (“**Johanne**”); and

LES ENTREPRISES FAPIERJO LIMITÉE, a company incorporated under the laws of Québec, having its head office in Val-d’Or, herein acting and represented by its duly authorized representative (“**Fapierjo**”);

(Pierre, Johanne and Fapierjo are hereinafter collectively referred to as the “**Vendors**”)

WHEREAS the Purchaser wishes to purchase all of the issued and outstanding shares of the share capital of Forage à Diamant Benoit Ltée (the “**Company**”);

WHEREAS the Vendors are the owners of all the issued and outstanding shares of the share capital of the Company;

WHEREAS the Vendors wish to sell all of the issued and outstanding shares they hold in the share capital of the Company to the Purchaser;

THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto agree as follows:

1. INTERPRETATION

1.1 Definitions

In this Agreement, unless something in the subject matter or context is inconsistent therewith:

1.1.1 “**2008 Reorganization**” means the reorganization implemented by the Company on January 31, 2008 which is described in Section 1.1.1 of the Disclosure Letter;

1.1.2 “**Activities**” means all the operations and activities conducted by the Company on or outside its property, in connection with the Business;

- 1.1.3 “**Adverse Consequences**” means all actions, suits, proceedings, hearings, investigations, charges, complaints, claims, Orders, damages, dues, penalties, interest, fines, costs, amounts paid in settlement, liabilities, obligations, Taxes, liens, losses, expenses and fees;
- 1.1.4 “**Agreement**” means this agreement and all amendments made hereto by written agreement among the parties hereto;
- 1.1.5 “**Applicable Laws**” means (i) all applicable laws, statutes, rules, regulations, by-laws, Orders and orders in council, and (ii) to the extent they have force of law, all policies, guidelines, directives, notices, decisions, declarations or other requirements or any Governmental Authority;
- 1.1.6 “**Balance Sheet**” means unaudited balance sheet as at June 30, 2008, contained in the unaudited annual financial statements of the Company which form part of the Financial Statements;
- 1.1.7 “**Business**” means the business as is and has been carried on by the Company and includes providing mineral exploration drilling services to mining and mineral exploration companies and the Refurbishing and Resale Activities;
- 1.1.8 “**Business Day**” means a day other than a Saturday, Sunday or statutory holiday in Montreal, Quebec;
- 1.1.9 “**Claim**” means any demand, complaint, Order, investigation, arbitration, action, suit, proceeding, claim, assessment, damage, loss, fine, penalty, liabilities, cost or expenses (including, without limitation, interest, penalties and reasonable attorneys’ and experts’ fee and disbursements), judgment or settlement or compromise relating thereto;
- 1.1.10 “**Closing**” means the closing of the transactions contemplated hereby on the Closing Date at the office of McCarthy Tétrault, Suite 2500, 1000 de La Gauchetière Street West, Montréal, Québec;
- 1.1.11 “**Closing Date**” means August 1, 2008 or such other date as may be agreed to in writing between the parties hereto;
- 1.1.12 “**Company**” means Forage à diamant Benoît Ltée, a company incorporated under the laws of the province of Quebec;
- 1.1.13 “**Contaminants**” means any substance, matter, waste, material, pollutant or contaminant of any kind defined or regulated under any Environmental Law or the presence of which could result in liability under such Environmental Law;
- 1.1.14 “**CRA**” means the Canada Revenue Agency;

- 1.1.15 “**Discharge**” means the deposit, spill, emission, leaking, pumping, flowing, discharge, injection, seeping, leaching or disposal, emptying, dumping, placing, issuance, release, migration;
- 1.1.16 “**Disclosed Liabilities**” means those liabilities described in Section 1.1.16 of the Disclosure Letter (which have reduced the Purchase Price payable under Section 2.2.1 on a dollar for dollar basis);
- 1.1.17 “**Disclosure Letter**” means the disclosure letter provided by the Vendors concurrently with the execution of the Agreement;
- 1.1.18 “**Drilling Contracts**” means all contracts, agreements, arrangements or other undertakings or commitments of the Company, whether written or oral, which relate, directly or indirectly, to the conduct of the drilling activities or similar services of the Company.
- 1.1.19 “**Drilling Equipment Threshold Amount**” has the meaning set forth in Section 7.5.2;
- 1.1.20 “**Employee Benefit Plan**” has the meaning set forth in Section 3.22.1;
- 1.1.20A “**Encumbrances**” means, whether or not registered or registrable or recorded or recordable, and regardless of how created or arising, any and all (a) mortgages, assignments of rent, liens, encumbrances, adverse claims, charges, executions, title defects, security interests, hypothecs, prior claims or pledges, whether fixed or floating, against assets or property (whether immovable, movable, corporeal or incorporeal), hire-purchase agreements, conditional sales contracts, leasing agreement, title retention agreements, capital leases, or any subordination to any right or claim of others in respect thereof; (b) claims or interests against or in assets or property (whether immovable, movable, corporeal or incorporeal), including, without limitation, easements, rights-of-way, servitudes or other similar rights in property granted to or reserved or taken by any Person, but excluding easements, right-of-ways, servitudes and other similar rights in property for highways and other roads, railways, sewers, drains, water mains and other utilities infrastructure or other similar easements, rights-of-way, servitudes and other similar rights in property; (c) options or other rights to acquire, or to acquire any interest in, any assets or property (whether immovable, movable, corporeal or incorporeal); and (d) agreements to create, or rights capable of becoming, any of the foregoing;
- 1.1.21 “**Environmental Laws**” means any laws, statutes, regulations, rules, policies, by-laws, directives, guidelines, Orders, declarations, orders in council and standards, in each case having force of law, which relate in whole or in part to the environment or its protection or to health and safety adopted or rendered by any Governmental Authority, court or arbitrator, including, without limitation, the *Environment Quality Act*, the *Forest Act* (Québec), and the regulations thereunder, the *Soil Protection and Rehabilitation of Contaminated Sites Policy*

of the Ministry of Sustainable Development Environment and Parks of Québec, and all Environmental Permits;

1.1.22 “**Environmental Permits**” has the meaning set forth in Section 3.31.2;

1.1.23 “**Fapierjo**” means Les Entreprises Fapierjo Limitée;

1.1.24 “**Financial Statements**” means the audited financial statements of the Company for the financial year ended on June 30, 2007, consisting of the statements of earnings, statements of retained earnings, balance sheets statements of cash flows for such period and notes thereto, together with the report of Samson, Bélair Deloitte & Touche LLP thereon and the unaudited financial statements of the Company as at and for the year ended on June 30, 2008, a copy of which is included in Section 1.1.24 of the Disclosure Letter;

1.1.25 “**First Holdback**” has the meaning set forth in Section 2.2.2;

1.1.26 “**GAAP**” has the meaning set forth in Section 1.5;

1.1.27 “**Governmental Authority**” means any domestic or foreign legislative, executive, judicial or administrative body or person having jurisdiction in the relevant circumstances;

1.1.28 “**Immovable Property**” has the meaning set forth in Section 3.17.1

1.1.29 “**Indemnified Party**” has the meaning set forth in Section 7.3.1;

1.1.30 “**Indemnifying Party**” has the meaning set forth in Section 7.3.1;

1.1.31 “**Intellectual Property**” means all foreign and domestic intellectual property rights, including all patents, patent applications, patent rights, trade-marks, trade-mark applications, trade names, service marks, service mark applications, copyrights, copyright applications, computer programs and other computer software (including, without limitation, all source and object code, algorithms, architecture, structure, display screens, layouts and development tools), domain names, inventions, designs, samples, specifications, schematics, know-how, trade secrets, proprietary processes and formulae, and development tools, promotional materials, databases, customer lists, supplier, vendor and dealer lists and marketing research, and all documentation and media constituting, describing or relating to the foregoing, including without limitation, manuals, memoranda and records and the rights to register the foregoing;

1.1.32 “**Key Employees**” means any of the key employees listed in Schedule 1.1.32 of the Disclosure Letter;

1.1.33 “**Knowledge**” means the knowledge the relevant party has in relation to facts or circumstances contemplated by the applicable provisions of this Agreement, after having conducted a reasonably detailed inquiry about such facts or circumstances

as would do a prudent and diligent administrator under such circumstances, it being stipulated that if a current director or officer of the Company or Key Employee have such knowledge after having conducted such reasonably detailed inquiry, the Vendors shall then be irrevocably deemed to also have such knowledge;

- 1.1.34 “**Leased Premises**” has the meaning set forth in Section 3.17.1;
- 1.1.35 “**Leases**” has the meaning set forth in Section 3.17.1;
- 1.1.36 “**Letter of Intent**” means the non-binding letter of intent dated May 7, 2008 between the Purchaser, Fapierjo, Pierre, Johanne and Fiducie Johanne Benoît, as amended;
- 1.1.37 “**Material Adverse Effect**” means any event, occurrence, fact, condition, change or effect that is or is reasonably likely to be materially adverse to the business, operations, results of operations, financial condition, properties (including incorporeal properties), assets (including incorporeal assets) or liabilities of the Company, provided, however, that a Material Adverse Effect shall not be considered to have occurred solely as a result of: (i) changes caused by the announcement of the transaction hereunder; (ii) changes caused by generally applicable financial, economic, political, banking, currency, capital market or similar conditions; (iii) changes generally applicable in the industry in which the Business operates; (iv) changes in Applicable Laws (unless, in any such case, such matter adversely affects the Company disproportionately more than others in the industry in which the Business operates);
- 1.1.38 “**Material Contracts**” means i) all the Drilling Contracts, and ii) all agreements, contracts, leases, obligations, promises, undertakings or any other legally binding commitments (whether written or oral) which have a value in excess of \$25,000 or which are otherwise material to the Company;
- 1.1.39 “**Order**” means any order, ruling, approval, ordinance, decision, directive injunction, judgment, decree or award of any Governmental Authority;
- 1.1.40 “**Ordinary Course of Business**” means substantially the same manner in which the Company has previously carried on the Business;
- 1.1.41 “**Overestimated Tax Amount**” has the meaning set forth in Section 2.3.7;
- 1.1.42 “**Non-Competition Agreement**” means the agreement entered into between the Purchaser, the Company, Pierre, Johanne, Les Entreprises Fapierjo Limitée, Parlec, 9148-1788 Québec Inc., Location d’Équipements de Forage Unique Ltée, Fanny Benoît and Jonathan Benoît on the date hereof;
- 1.1.43 “**Parlec**” means Les Entreprises Parlec Limitée, a company incorporated under the laws of the province of Québec;

- 1.1.44 “**Person**” whether or not capitalized, shall mean any natural person, corporation, unincorporated organization, partnership, limited liability company, association, joint venture, trust or government, or any agency or political subdivision of any government or any other entity;
- 1.1.45 “**Personal Information**” means any information which relates to a natural person and allows that person to be identified;
- 1.1.46 “**Pre-Closing Reorganization**” means the pre-closing reorganization implemented by the Company prior to the Closing Date which is described in Section 1.1.46 of the Disclosure Letter;
- 1.1.47 “**Privacy Laws**” means all applicable federal, provincial, state, municipal or other laws governing the collection, use, disclosure and retention of Personal Information, including an *Act respecting the Protection of Personal Information in the Private Sector*, R.S.Q. Ch. P-39.1, as amended;
- 1.1.48 “**Products**” means any products, including without limitation, softwares, source codes, object codes and any related documentation or manuals developed or owned by the Company and which may be necessary or useful in the conduct of the Business, other than with respect to “off-the-shelf” software which is generally commercially available;
- 1.1.49 “**Purchase Price**” has the meaning set forth in Section 2.2;
- 1.1.50 “**Purchaser**” means Major Drilling Group International Inc., a corporation incorporated under the laws of Canada;
- 1.1.51 “**Receivables Statement**” means a statement (attached hereto as Section 1.1.51 of the Disclosure Letter, setting forth the accounts receivable of the Company as at the Closing Date with respect to services provided and rigs, drills and other equipment sold by the Company on or prior to the Closing Date, which statement sets forth the names and address of the debtors of such accounts receivable, the invoice numbers, the amounts owing and dates of the invoices;
- 1.1.52 “**Refurbishing and Resale Activities**” means the activities carried out by the Company which consist of assembling and selling rigs and purchasing and reselling drilling and mining equipment;
- 1.1.53 “**Related Party**” has the meaning set forth in Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*;
- 1.1.54 “**Second Holdback**” has the meaning set forth in Section 2.2.3;
- 1.1.55 “**Securities Laws**” means the *Securities Act* (Québec) and the equivalent securities legislation of each province of Canada;

- 1.1.56 “**Shares**” means all of the issued and outstanding shares of the share capital of the Company held by the Vendors;
- 1.1.57 “**Tax Act**” has the meaning set forth in Section 3.5;
- 1.1.58 “**Tax Returns**” means all returns, reports, declarations, statements, bills, schedules, forms or written information of, or in respect of, Taxes that are, or are required to be, filed with or supplied to any Taxation Authority;
- 1.1.59 “**Taxation Authority**” means any Governmental Authority that is entitled to impose Taxes or to administer any applicable Tax legislation;
- 1.1.60 “**Taxes**” means all federal, state, provincial, territorial, county, municipal, local or foreign taxes, duties, imposts, levies, assessments, tariffs and other charges imposed, assessed or collected by a Taxation Authority including, (i) any gross income, net income, gross receipts, business, royalty, capital, capital gains, goods and services, value added, severance, stamp, franchise, occupation, premium, capital stock, sales and use, immovable property, land transfer, movable property, ad valorem, transfer, licence, profits, windfall profits, environmental, payroll, employment, employer health, pension plan, anti-dumping, countervail, or excise, (ii) all withholdings on amounts paid to or by the relevant person, (iii) all employment insurance premiums, Canada, Québec and any other pension plan contributions or premiums, (iv) any fine, penalty, interest, or addition to tax, (v) any tax imposed, assessed, or collected or payable pursuant to any tax-sharing agreement or any other contract relating to the sharing or payment of any such tax, levy, assessment, tariff, duty, deficiency, or fee, and (vi) any liability for any of the foregoing as a transferee, successor, guarantor, or by contract or by operation of law;
- 1.1.61 “**Third Party Claim**” has the meaning set forth in Section 7.3.1;
- 1.1.62 “**Threshold Amount**” has the meaning set forth in Section 7.5.1;
- 1.1.63 “**Vendors**” means collectively Fapierjo, Pierre and Johanne and “**Vendor**” means either of the Vendors on an individual basis; and
- 1.1.64 “**Vendors’ Representative**” means Pierre Benoit who shall act hereunder on behalf of the Vendors.

1.2 **Headings**

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms “**this Agreement**”, “**hereof**”, “**hereunder**” and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any amendment hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles or Sections are to Articles or Sections of this Agreement.

1.3 **Extended Meanings**

In this Agreement, words importing the singular number only shall include the plural and vice versa, words importing the masculine gender shall include the feminine and neuter genders and vice versa and words importing persons shall include individuals, partnerships, limited liability companies, associations, trusts, unincorporated organizations and corporations.

1.4 **Statutory References**

In this Agreement, unless something in the subject matter or context is inconsistent therewith or unless otherwise herein provided, a reference to any statute is to that statute as now enacted or as the same may from time to time be amended, re-enacted or replaced and includes any regulations made thereunder.

1.5 **Accounting Principles**

Wherever in this Agreement reference is made to a calculation to be made in accordance with generally accepted accounting principles (“**GAAP**”), such reference shall be deemed to be to the generally accepted accounting principles in Canada from time to time approved by the Canadian Institute of Chartered Accountants, or any successor institute, applicable as at the date on which such calculation is made or required to be made in accordance with generally accepted accounting principles and applied in a manner consistent with prior periods of the Company. For any period which is not a fiscal year end of the Company, GAAP means such generally accepted accounting principles, but without footnotes and subject to normal year end adjustments consistent with past practices.

1.6 **Currency**

All references to currency herein are to lawful money of Canada.

1.7 **Schedules**

The Disclosure Letter relates to certain matters concerning the Vendors and is qualified in its entirety by reference to provisions of the Agreement. The Disclosure Letter may include items or information which the Vendors are not required to disclose under the Agreement, and disclosure of such items or information shall not affect (directly or indirectly) the interpretation of the Agreement or the scope of the disclosure obligations hereunder. Unless the Agreement specifically provides otherwise, inclusion of any item in the Disclosure Letter and its Schedules does not constitute an admission by the Vendors that such item is reasonably likely to have a Material Adverse Effect.

1.8 **Designation of Vendors’ Representative**

1.8.1 In order to efficiently administer the transactions contemplated hereby, including (i) the waiver of any condition to the obligations of the Vendors to consummate the transactions contemplated hereby, and (ii) the defence and/or settlement of

any Claims for which the Vendors may be required to indemnify the Purchaser pursuant to Article 7 hereof, the Vendors hereby irrevocably designate the Vendors' Representative as their representative.

- 1.8.2 The Vendors hereby authorize the Vendors' Representative (i) to take all action necessary in connection with the waiver of any condition to the obligations of the Vendors to consummate the transactions contemplated hereby, or the defence and/or settlement of any Claims for which the Vendors may be required to indemnify the Purchaser pursuant to Article 7 hereof, or (ii) to give and receive all notices required to be given under the Agreement, (iii) to make any amendments to this Agreement and (iv) to take any and all additional action as is contemplated to be taken by or on behalf of the Vendors by the terms of this Agreement.
- 1.8.3 In the event that the Vendors' Representative dies, becomes unable to perform his responsibilities hereunder or resigns from such position, Fanny Benoît shall become the Vendor's Representative.
- 1.8.4 All decisions and actions by the Vendors' Representative, including, without limitation, any agreement between the Vendors' Representative and the Purchaser relating to the defence or settlement of any Claims for which the Vendors may be required to indemnify the Purchaser pursuant to Article 7 hereof, shall be binding upon all of the Vendors, and no Vendor shall have the right to object, dissent, protest or otherwise contest the same.
- 1.8.5 By his or her execution of this Agreement, each Vendor agrees to all of the foregoing provisions and agrees that all actions, decisions and instructions of the Vendors' Representative shall be conclusive and binding upon all of the Vendors and no Vendor shall have any cause of action against the Vendors' Representative for any action taken, decision made or instruction given by the Vendors' Representative under this Agreement, except for fraud or wilful breach of this Agreement by the Vendors' Representative.
- 1.8.6 Unless advised by the Vendors in writing prior to the delivery of a document, instrument or notice, the Purchaser shall be protected in relying on any document, instrument or notice executed by the Vendors' Representative, as having been duly authorized by all Vendors and no Vendor shall have any cause of action against Purchaser for any action taken, decision made or instruction given by the Vendors' Representative under this Agreement.

2. PURCHASE AND SALE

2.1 Purchase and Sale

Upon and subject to the terms and conditions of this Agreement, the Purchaser purchases from each of the Vendors, and each of the Vendors sells to the Purchaser, as of the Closing Date, the number of Shares set forth opposite each Vendor's name in Section 2.1

of the Disclosure Letter. The Purchase Price shall be allocated among the various classes of Shares and the Vendors as set forth in Section 2.1 of the Disclosure Letter.

2.2 **Purchase Price and Payment of Purchase Price**

Subject to the provisions of Section 2.3, the aggregate purchase price for the Shares shall be \$17,502,000 (the “**Purchase Price**”) and shall be paid to the Vendors and satisfied by the Purchaser as follows:

- 2.2.1 \$16,252,000 shall be paid on the Closing Date by certified cheque or wire transfer to the Vendors which the Vendors hereby irrevocably instruct the Purchaser to pay as provided in Section 2.1 of the Disclosure Letter;
- 2.2.2 a \$500,000 balance of purchase price shall be retained by the Purchaser and shall bear interest at an annual interest rate of 6% (the “**First Holdback**”) from the Closing Date. Subject to Section 2.3.4, the First Holdback, including the interest payable by the Purchaser pursuant to this Section 2.2.2, shall be paid 12 months after the Closing Date by certified cheque or wire transfer and the Vendors irrevocably instruct the Purchaser to pay the First Holdback to Pierre;
- 2.2.3 a \$750,000 balance of purchase price shall be retained by the Purchaser and shall bear interest at an annual interest rate of 6% (the “**Second Holdback**”) from the Closing Date. Subject to Section 2.3.4, the Second Holdback, including the interest payable by the Purchaser pursuant to this Section 2.2.3, shall be paid 24 months after the Closing Date by certified cheque or wire transfer and the Vendors hereby irrevocably instruct the Purchaser to pay the Second Holdback to Pierre;
- 2.2.4 Payment of the Purchase Price by the Purchaser to the Vendors as provided in Sections 2.2, 2.3.1 and 2.3.7, as applicable, shall constitute receipt by each of the Vendors of their respective proportion of the Purchase Price.

2.3 **Purchase Price Adjustments**

The Purchase Price shall be subject to adjustments as follows:

- 2.3.1 The Purchase Price shall, subject to the following, be increased, dollar for dollar, by an amount equal to the payments received by the Company from a customer who is an account debtor under any of the accounts receivable set forth in the Receivables Statement within 60 days following the Closing Date. Subject to Section 2.3.4, the Purchaser shall, on the 30th day and the 60th day following the Closing Date, pay an amount equal to the payments received by the Company from customers who are account debtors under any of the accounts receivable set forth in the Receivables Statement on or prior to the expiry of such periods and the Vendors hereby irrevocably instruct the Purchaser to pay any such amount to Pierre.

- 2.3.2 With respect to the collection of the accounts receivable set forth in the Receivables Statement, all payments received by the Company from a customer who is an account debtor under any of the accounts receivable set forth in the Receivables Statement will be applied first against the oldest accounts receivable of that customer, unless otherwise expressly specified by such customer when payment is made. Subject to Sections 2.3.4 and 2.3.5, any accounts receivable set forth in the Receivables Statement which are not collected by the Company within the 60-day period provided in Section 2.3.1 shall be assigned to Pierre for an amount of one dollar.
- 2.3.3 Notwithstanding the transfer and assumption of all the Company's liabilities (other than the Disclosed Liabilities) pursuant to the Pre-Closing Reorganization, the Vendors shall remain solidarily (jointly and severally) responsible for any liabilities of the Company incurred, accrued or which arose prior to Closing and shall promptly make all payments in connection therewith.
- 2.3.4 The Purchaser shall have the right to withhold, deduct and set off from the First Holdback, the Second Holdback and any amounts payable to the Vendors pursuant to Sections 2.3.1, an amount equal to the aggregate amount of Claims made by the Purchaser or the Company against the Vendors pursuant to the terms of this Agreement which have not been fully paid as of the date that the First Holdback, the Second Holdback and the amounts payable to the Vendors pursuant to Section 2.3.1 are due and payable. Any such amounts of Claims made by the Purchaser or the Company against the Vendors shall be withheld, deducted and set off by the Purchaser, in the following order, from: (i) the amounts payable to the Vendors pursuant to Section 2.3.1, (ii) the First Holdback, and (iii) the Second Holdback.
- 2.3.5 For greater certainty, the amount of trades payable by the Company which exist or have accrued on or prior to the Closing Date may be withheld, deducted and set off in accordance with Section 2.3.4, including against any unpaid accounts receivable (provided such unpaid receivables are considered at their full value for the purposes of any such withholding, deduction or set off).
- 2.3.6 With respect to the collection of the accounts receivable set forth in the Receivables Statement, the Purchaser shall cause the Company to use commercial reasonable efforts to collect such accounts receivable and to provide the Vendors' Representative with reports on the 30th day and the 60th day following the Closing Date describing the status of the collection of such accounts receivable. Upon a reasonable prior notice given to the Company, the Vendors' Representative and his own representatives shall have complete access to the books and records of the Company and the working papers used in connection with the collection of accounts receivable set forth in the Receivables Statement, during regular business hours, as well as any other records the Vendors' Representative may reasonably request, to verify the collection of accounts receivable and the accuracy of any liability or Claim referred to in Sections 2.3.3 and 2.3.4 hereof.

- 2.3.7 The Purchase Price shall, subject to the following, be increased, dollar for dollar, by an amount equal to the excess of: (i) the total of the estimated Taxes for the taxation years ending on June 30, 2008 and July 31, 2008 provided in Schedule 3.13.1, over (ii) the actual Taxes paid by the Company for the taxation years ending on June 30, 2008 and July 31, 2008 (the “**Overestimated Tax Amount**”). The Purchaser shall pay the Overestimated Tax Amount to Pierre on the 10th day following the reception from the CRA of the original notice of assessment for either the taxation year ending on June 30, 2008 or the taxation year ending on July 31, 2008, whichever is the latest.
- 2.3.8 Vendor and Purchaser agree and acknowledge that no portion of the Purchase Price shall be allocated to any “restrictive covenant” (as such term is defined in proposed subsection 56.4(1) of the Tax Act, that may be granted by the Vendors in this Agreement or any ancillary agreement. Vendor and Purchaser also confirm that the restrictive covenant to not compete and solicit granted under the Non-Compete Agreement was granted to maintain or preserve the fair market value of the Shares sold by the Vendors to the Purchaser hereunder.

3. VENDORS’ REPRESENTATIONS AND WARRANTIES AND COVENANTS

The Vendors solidarily (jointly and severally) represent and warrant to the Purchaser as follows, it being acknowledged by each of the Vendors that the Purchaser is relying upon such representations, warranties and covenants in purchasing the Shares and establishing the Purchase Price.

3.1 Authority; No Violation

- 3.1.1 The Vendors have full power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby.
- 3.1.2 This Agreement has been duly and validly executed and delivered by the Vendors and (assuming the due authorization, execution and delivery of this Agreement by each other party hereto) constitutes a valid and binding obligation of the Vendors enforceable against them in accordance with its terms subject to the Applicable Laws respecting bankruptcy, insolvency, corporate reorganization or other similar Applicable Laws affecting creditor’s rights generally and rules of Applicable Law giving specific performance, injunctive relief or equitable remedies.
- 3.1.3 Neither the execution nor delivery of this Agreement by the Vendors, nor the consummation by the Vendors of the transactions contemplated herein to be performed by them, nor compliance by the Vendors with any of the terms or provisions hereof, will violate any Applicable Law in respect of which the Vendors must comply or violate or conflict with, result in a breach of any provision of, or constitute a default under any note, bond, mortgage, hypothec, indenture, deed of trust, license, lease, agreement or other instrument or

obligation to which the Vendors are a party, or by which the Vendors or any of their properties or assets may be bound or affected.

3.2 Title to Shares; No Agreements

- 3.2.1 The Vendors are the direct beneficial and registered owners of that number of Shares as set out opposite their name in Section 2.1 of the Disclosure Letter, free and clear of all Encumbrances.
- 3.2.2 There is no agreement, contract, option, understanding, commitment or any other right of another binding upon or which at any time in the future may become binding upon the Vendors to sell, transfer, assign, pledge, charge, mortgage or in any other way dispose of or Encumber any of the Shares owned by either of them other than pursuant to the provisions of this Agreement.
- 3.2.3 The Vendors are not bound by any shareholders agreement, pooling agreement, voting trust or other similar agreement with respect to his ownership or voting of the Shares owned by them.
- 3.2.4 The Vendors have the power, authority and right to transfer the legal and beneficial title and ownership of the Shares to the Purchaser free and clear of all Encumbrances.

3.3 Interests in Competitors

Except as described in Section 3.3 of the Disclosure Letter, neither of the Vendors nor any Related Party of the Vendors have any direct or indirect controlling interest in any competitor or supplier of the Company, or in any Person with whom the Company is doing business.

3.4 Litigation

There are no Claims or other proceedings pending, or to the Knowledge of the Vendors, threatened against, with respect to, or affecting the Vendors in any manner, or any of their assets, that challenge the validity of the transactions contemplated by this Agreement and there are no Claims or other proceedings pending or threatened against the Vendors, or any of the assets of the Vendors, challenging the validity or the consummation of the transactions contemplated by this Agreement.

3.5 Residence

The Vendors are not non-residents within the meaning of the *Income Tax Act* (Canada) (“**Tax Act**”).

3.6 Private Issuer

The Company is a “private issuer” within the meaning of the *Regulation 45-106 Respecting Prospectus and registration Exemptions* (Quebec).

3.7 **Organization**

The Company is duly incorporated, validly existing and in good standing under the Applicable Laws of its jurisdiction of incorporation, with the full corporate power to own all of its assets and to carry on the Business, and has validly made all necessary filings under all applicable corporate and Securities Laws to which it is subject.

3.8 **Authority and Consents**

- 3.8.1 All requisite directors, shareholders or other corporate approval on the part of the Company have been obtained to permit the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby.
- 3.8.2 This Agreement constitutes a valid and legally binding obligation of the Company enforceable against it in accordance with its terms subject to the Applicable Laws respecting bankruptcy, insolvency, corporate reorganization or other similar Applicable Laws affecting creditors' rights generally and rules of Applicable Law governing specific performance, injunctive relief or other equitable remedies.
- 3.8.3 Neither the entering into nor the delivery of this Agreement nor the completion of the transactions contemplated hereby will result in:
- (i) the violation of any of the provisions of the charter documents or by-laws of the Company;
 - (ii) the violation of any Applicable Law;
 - (iii) the creation of any Encumbrance upon any of the properties or assets of the Company; or
 - (iv) except as disclosed in Section 3.8.4 of the Disclosure Letter, the conflict with, violation of, breach of or creation of an event of default (or event that, with the giving of notice or lapse of time or both, would constitute an event of default) under, or an event which would give any party the right to accelerate any obligation under, any Material Contract or Order by which the Company is a party or which the Company, or any assets or properties of the Company is bound or affected.
- 3.8.4 Except as disclosed in Section 3.8.4 of the Disclosure Letter, no consent, approval, waiver or authorization is required to be obtained or made by the Company or the Vendors from, and no notice or filing is required to be given by the Company or the Vendors to, any Person (including any Governmental Authority) in connection with (i) the execution, delivery and performance of this Agreement by the Vendors, and (ii) the consummation by the Vendors and the Company of the transactions contemplated in this Agreement.

3.9 Capitalization

- 3.9.1 Section 3.9.1 of the Disclosure Letter contains a complete description of the authorized capital and the issued and outstanding shares of the share capital of the Company as at the Closing Date. The Shares have been validly issued and outstanding as fully paid and non-assessable and are held by the Vendors in the amounts reflected in Section 3.9.1 of the Disclosure Letter.
- 3.9.2 The rights, privileges, restrictions and conditions attached to the share capital of the Company are as set out in Section 3.9.2 of the Disclosure Letter.
- 3.9.3 There are (i) no unpaid or outstanding dividends, (ii) no existing options, phantom shares, warrants, rights, calls or commitments of any character relating to the Shares or shares in the share capital of the Company or any other share capital or securities or other instruments convertible into or exchangeable for shares or any other securities of the Company and no commitments to issue such securities or instruments and no Person has any right of first refusal, preemptive right, subscription right or similar right with respect to any shares or any other securities of the Company.

3.10 Subsidiaries and Affiliates

The Company does not own, directly or indirectly, nor has the Company agreed to acquire, any of the outstanding shares or securities convertible into shares or other equity or similar interests of any other Person.

3.11 Financial

3.11.1 The Financial Statements:

- (i) are, in all material respects, in accordance with the books and accounts of the Company as at and for the period ended on June 30, 2007 or June 30, 2008, as applicable;
- (ii) are, in all material respects, complete and correct and present fairly the financial position and results of operations of the Company as at and for the period ended on June 30, 2007 or June 30, 2008, as applicable;
- (iii) have been prepared in accordance with GAAP consistent with past practice;
- (iv) present fairly, in all material respects, all of the assets and liabilities of the Company as at June 30, 2007 or June 30, 2008, as applicable, including, without limiting the generality of the foregoing, all accrued and contingent liabilities of the Company as at such dates.

3.11.2 The Receivables Statement sets forth the name of the debtors of such accounts receivable of the Company as at the Closing Date, the amounts owing and the

aging of such accounts receivable and all of such accounts receivable relate solely to services executed or equipments sold by the Company on or prior to the Closing Date. The address of the debtors as well as invoice numbers are available in the books and records of the Company.

- 3.11.3 The Company makes and keeps books and records reflecting its assets, accurate in all material respects, and maintains internal accounting controls that provide reasonable assurance that transactions are recorded as necessary to permit preparation of the Company's financial statements and to maintain accountability for the assets of the Company.

3.12 Absence of Liabilities

- 3.12.1 Except for the Disclosed Liabilities, the Company does not have any liability or obligation of any nature, whether due or to become due, fixed, contingent, matured or unmatured, accrued, or otherwise, including with respect to any equipment or capital leases, loans, debt, trades payable or other amounts payable.
- 3.12.2 All trades payable of the Company which exist on or have accrued up to the Closing Date are described in Section 3.12.2 of the Disclosure Letter and have been fully paid by the Company. Such trades payable have accrued in the Ordinary Course of Business.

3.13 Tax Matters

- 3.13.1 The Company has paid or remitted all Taxes required to be paid by it through the Closing Date whether disputed or not, and a good faith estimate for Taxes payable for the taxation year ending June 30, 2008 and taxation year ending July 31, 2008 has been calculated and provided by the Vendors to the Purchaser and is included in Section 3.13.1 of the Disclosure Letter and the amounts of Taxes which are indicated in such Schedule as instalments have been duly paid by the Company prior to the Closing Date.
- 3.13.2 The Company has in accordance with all Applicable Laws filed or caused to be filed with the appropriate Taxation Authority, on a timely basis, all Tax Returns required to be filed by it through the Closing Date, and all such Tax Returns correctly and accurately set forth the amount of any Taxes relating to the applicable period. A list of all Tax Returns filed with respect to the Company for taxable periods ended on or after June 30, 2003 is set forth in Section 3.13 of the Disclosure Letter, and said Section indicates those Tax Returns that have been audited or currently are the subject of an audit and date at which such Tax Returns have been assessed or received. For each taxable period the Company ended on or after June 30, 2005, the Company has delivered to the Purchaser correct and complete copies of all Tax Returns, assessments, reassessments, examination reports and statements of deficiencies assessed against or agreed to by the Company.

- 3.13.3 No Taxation Authority is now asserting or threatening to assert against the Company any assessment, reassessment, deficiency or claim for additional Taxes in respect of a taxation year or other taxable period. The Company has never been required to file any Tax Return with, and has never been liable to pay any Taxes to, any Taxation Authority outside Canada. No claim has ever been made by any authority in a jurisdiction where the Company does not file Tax Returns that the Company is or may be subject to taxation by that jurisdiction. There are no Encumbrances on any of the assets of the Company that arose in connection with any failure (or alleged failure) to pay any Taxes.
- 3.13.4 Except as disclosed in Section 3.13.4 of the Disclosure Letter, there has not been any audit of any Tax Return filed by the Company, and no audit or investigation is in progress, and the Company has not been notified by any Taxation Authority that any such audit is contemplated or pending. Except as disclosed in Section 3.13.4 of the Disclosure Letter, no waiver or agreement by the Company is in force for the extension of time for the assessment, reassessment or payment of any Taxes. Except as disclosed in Section 3.13.4 of the Disclosure Letter, there are no agreements with any Taxation Authority that may affect the subsequent Tax liabilities of the Company, and the Financial Statements include an adequate provision for all Taxes which have been or may be in the future assessed or reassessed against the Company with respect to the appropriate periods then ended and all periods prior thereto.
- 3.13.5 Since June 30, 2007, the Company has not incurred any liability, whether actual or contingent, for Taxes or engaged in any transaction or event that would result in any liability, whether actual or contingent, for Taxes or realized any income or gain for Tax purposes otherwise than in the usual and Ordinary Course of Business. Other than Taxes provided for in the Disclosed Liabilities, the Company has no liability or obligation in respect of any Taxes.
- 3.13.6 The Company has, up to and including the Closing Date, withheld from each payment made to its present and former employees, officers and directors and to any non-residents of Canada the amount of any Taxes and other deductions required to be withheld therefrom and has remitted the same to the appropriate Taxation Authority within the time periods required under any Law.
- 3.13.7 The Company is not subject to liability for Taxes of any other person. The Company has not acquired property from any person in circumstances where the Company did or could become liable for any Taxes of such person. The value of the consideration paid or received by the Company for the acquisition, sale, transfer or provision of property (including incorporeal properties) or the provision of services (including financial transactions) from or to a person with whom the Company was not dealing at arm's length (for the purposes of the Tax Act) was equal to the estimated fair market value of such property acquired, provided or sold or services purchased or provided. The Company has not entered into any agreement with, or provided any undertaking to, any person

pursuant to which it has assumed liability for the payment of income Taxes owing by such person.

- 3.13.8 The Company has not made any payment, nor is obligated to make any payment, and is not a party to any agreement under which it could be obligated to make any payment, that may not be deductible by virtue of Section 67 or 78 of the Tax Act or any equivalent provision of the Applicable Laws of any province or any other jurisdiction, applying to the Company.
- 3.13.9 There are no circumstances which exist and would result in, or which have existed and resulted in, any of Section 79 and Sections 80 to and including Section 80.04 of the Tax Act or any equivalent provision of the Applicable Laws of any province or any other jurisdiction, applying to the Company.
- 3.13.10 Except as disclosed in Section 3.13.10 of the Disclosure Letter, the Company has not made any elections in respect of Taxes pursuant to any Applicable Laws required to be filed with Taxation Authorities on prescribed forms or by letter to Taxation Authorities.
- 3.13.11 The Company is duly registered with the Canada Revenue Agency under the *Excise Tax Act* (Canada) (“ETA”) for purposes of the goods and services tax (“GST”) and with Québec under the *Act respecting the Quebec Sales Tax* (“QST Act”) for purposes of the Québec sales tax (“QST”). All input tax credits claimed by the Company for GST purposes and all input tax refunds claimed by the Company for QST purposes were calculated in accordance with any relevant Applicable Laws. The Company has charged, collected and remitted on a timely basis all Taxes as required by the Applicable Laws, including those imposed under Part IX of the ETA and the QST Act or harmonized tax legislation, on any sale, supply or delivery whatsoever, made by the Company, and has continued to do so until the Closing Date.
- 3.13.12 Except as disclosed in Section 3.13.12 of the Disclosure Letter, the Company has not claimed any reserve under the Tax Act or any relevant provincial statute.
- 3.13.13 For all transactions between the Company and any non-resident person with whom the Company was not dealing at arm’s length (for the purposes of the Tax Act) during a taxation year commencing after June 30, 2007 and ending on or before the Closing Date, the Company has made or obtained records or documents that meet the requirements of subsection 247(4) of the Tax Act. The Company has not entered into any advance pricing agreement with any Taxation Authority.

3.14 Absence of Changes

3.14.1 Except as disclosed in Section 3.14.1 of the Disclosure Letter, since June 30, 2007:

- (i) the business has been carried in the Ordinary Course of Business and no Material Adverse Effect has occurred;
- (ii) except as set forth in the Pre-Closing Reorganization and the 2008 Reorganization, the Company has not declared, set aside, or paid any dividends or made any other distribution in respect of its share capital, or made any direct or indirect redemption, purchase or other acquisition of its share capital for the benefit of any of its shareholders;
- (iii) the Company has not disposed of any machinery or equipment, other than in connection with the Refurbishing and Resale Activities;
- (iv) the Company has not disposed of any inventory, other than in the Ordinary Course of Business;
- (v) the Company has not made any change or incurred any obligation to make a change in its certificate of incorporation, by-laws, or authorized or issued shares (except for the 2008 Reorganization and the Pre-Closing Reorganization);
- (vi) there has been no change in the accounting methods or tax practices or elections used by the Company;
- (vii) except as set forth in the Pre-Closing Reorganization and the 2008 Reorganization and in connection with the Refurbishing and Resale Activities, the Company has not made any purchase, sale or disposition of any asset or property, nor mortgaged, pledged or subjected to any Encumbrance of any kind, any of the Company's assets;
- (viii) no party (including the Company) has accelerated, terminated, modified, or cancelled any Material Contract;
- (ix) the Company has not granted any license or sublicense of any rights under or with respect to any of its rights of Intellectual Property Rights;
- (x) the Company has not entered into any employment contract or collective bargaining agreement, written or oral, or modified the terms of any existing employment contract or agreement;
- (xi) the Company has not granted any bonuses or other increase in the compensation of any of its directors or officers, and has not increased the compensation to any other employees or independent contractors outside the Ordinary Course of Business;

- (xii) the Company has not adopted, amended, modified, or terminated any bonus, profit-sharing, incentive, severance, or other plan, contract, or commitment for the benefit of any of its directors, officers, and employees (or taken or promised to take any such action with respect to any other Employee Benefit Plan);
- (xiii) the Company has not made any other change in employment terms for any of its directors or officers, and has not changed the employment terms of any other employees outside the Ordinary Course of Business;
- (xiv) except as may be requested by the Purchaser in connection with the transactions contemplated herein, no director, officer or employee of the Company has indicated any intention to resign from its office or to terminate its employment with the Company and, to the Knowledge of the Vendors, no director, officer or employee has any such intention to resign or to terminate their employment with the Company;
- (xv) except in connection with the Pre-Closing Reorganization, the Company has not repaid any loans (if any) from its shareholders, officers or directors or made any change in its borrowing arrangements;
- (xvi) the Company has not entered into any transaction which could have a Material Adverse Effect on the Business;
- (xvii) the Company has not committed to any of the foregoing; and
- (xviii) no customer or supplier of the Company has indicated that it intends to decrease or terminate its business with the Company, and to the Knowledge of the Vendors, no customer or supplier intends to change its relationship with the Company, in a manner that has a Material Adverse Effect on the Company, including following completion of the transactions contemplated hereby.

3.14.2 since the execution of the Letter of Intent, except as set forth in Section 3.14.1 of the Disclosure Letter:

- (i) the Business has been carried on in the Ordinary Course of Business, as a going concern, in a prudent fashion, in the best interest of the Business, and the Company has not entered in to any material transaction out of the Ordinary Course of Business;
- (ii) the Company has not realized or authorized any new capital expenditures totalling more than \$50,000 per item, or an aggregate of \$250,000, without the prior written approval of the Purchaser;
- (iii) the Company did not enter into any Drilling Contract representing revenues of \$100,000 or more without the prior written consent of the Purchaser; and

- (iv) the Company did not enter into any Drilling Contract having of less than \$100,000 which will continue to be performed on or after the Closing Date without the prior written consent of the Purchaser.

3.15 **Conduct of Business**

- 3.15.1 The Company is duly licensed or qualified to do business and is in good standing in the jurisdictions set forth in Section 3.15.1 of the Disclosure Letter which jurisdictions are the only jurisdictions wherein the character or location of the properties owned or leased or the nature of the conduct of the Business by the Company makes such qualification necessary. The Company has not received any notice nor do the Vendors have Knowledge to the effect that the Company is required to qualify or otherwise be authorized to do business as a foreign corporation in any jurisdiction in which the Company has not qualified or obtained such authorization. Section 3.15.1 of the Disclosure Letter sets forth each location where the Company (i) has a place of business, (ii) conducts its Business, or (iii) owns or leases property.
- 3.15.2 The Company is conducting the Business in compliance in all material respects with all Applicable Laws of Canada and all provinces and all municipalities thereof in which the Business is carried on, is not in breach in any material respect of any Applicable Laws and no license, registration, qualification, permit, quota or other authorization is required by the Company to carry on the Business or to enable the Business to be carried on as now conducted and its assets to be owned, leased and operated.
- 3.15.3 The operation of the Company on any lands from which it conducts the operations of the Business is not subject to any restriction or limitation to the conduct of the Business as presently conducted or in the same manner consistent with past practice. All of the assets of the Company which were located at 1185 des Foreurs Street, Val-d'Or, Québec (the "**Des Foreurs Site**") have been moved to the premises of the Company located at 1701 de l'Hydro Street, Val-d'Or, Québec and no assets of the Company are located at the Des Foreurs Site.
- 3.15.4 There are no outstanding Orders relating to the Company issued by any building, environmental, fire, health, labour or police authorities or from any other federal, state, provincial or municipal authority and there are no matters under discussion between the Company and any such authorities relating to Orders.

3.16 **Assets**

- 3.16.1 All of the equipment, machinery, vehicles, inventory and immovable property, including those used by the Company in connection with the conduct of drilling activities, whether owned or leased by the Company, are listed in Section 3.16.1 of the Disclosure Letter, and such Section constitutes an accurate and complete list of such assets, none of which have become an immoveable by destination or accession. The amount and quantity of inventory listed in Section 3.16.1 of the

Disclosure Letter is consistent with the Company's past practice and industry norms, and such inventory is sufficient to maintain normal operations of the Company's drills consistent with past practice.

- 3.16.2 Except as set forth in Section 3.16.2 of the Disclosure Letter, the Company is the owner with good and marketable title, free and clear of all Encumbrances, of all its assets, including the assets, properties and rights reflected on the June 30, 2008 Financial Statements and in Section 3.16.1 of the Disclosure Letter which comprise of all of the equipment, machinery, inventory and immovable property used in the conduct of the Business as currently conducted.
- 3.16.3 All machinery, equipment, vehicles and immovable property owned or used by the Company are in reasonable working order for the purposes of ongoing operations, subject to ordinary wear and tear for machinery, equipment and immovable property of comparable age or use in the Ordinary Course of Business, provided that the Purchaser acknowledges that the drilling equipment is subject to normal ongoing maintenance expenses consistent with past practice.
- 3.16.4 All inventory of the Company is in reasonable working condition and shall be suitable for the purposes intended.

3.17 **Immovable Property and Leased Premises**

- 3.17.1 The Company does not own, directly or indirectly, any interest in immovable property other than (i) its ownership interest in the immovable property described in Section 3.17.1 of the Disclosure Letter (the "**Immovable Property**") and (ii) its interest as tenant in respect of the premises leased by the Company and located where indicated in Section 3.17.1 of the Disclosure Letter (the "**Leased Premises**"), pursuant to the leases listed in Section 3.17.1 of the Disclosure Letter, copies of which, in the case of written leases, have been provided to Purchaser, together with any amendment thereto or renewal thereof (the "**Leases**").
- 3.17.2 The Company is the legal, beneficial and registered owner of the Immovable Property, with good and marketable title thereto, free and clear of material defects in title, conventional or legal hypothecs, priorities, encroachments, leases, servitudes, reserves or notices of expropriation, building restrictions or other Encumbrances of any kind.
- 3.17.3 No consent, authorization or approval is required from any Person pursuant to the Leases or from any authority pursuant to any Applicable Laws or otherwise in relation to the consummation of the transactions contemplated in this Agreement, other than as set forth in Section 3.17.3 of the Disclosure Letter.
- 3.17.4 The Leases are valid and in full force, as amended, and each of the Leases constitutes the entire agreement between the parties thereto in relation to the Leased Premises.

- 3.17.5 The Immovable Property and Leased Premises are not adversely affected in any way by the provisions of the *Cultural Property Act* (Quebec) and the Immovable Property and Leased Premises are not located in an “agricultural zone” as defined under *An Act of Preserve Agricultural Land* (Quebec).
- 3.17.6 The Company has not assigned, sublet, transferred, conveyed, mortgaged or encumbered or otherwise disposed of or granted any rights of any nature whatsoever in and to any interest in the Leased Premises, the Immovable Property or the Leases.
- 3.17.7 The transactions contemplated in this Agreement will not result in a default or early termination of any of the Leases.
- 3.17.8 The Company is not in default and no event which with notice or lapse of time, or both, would constitute a default under the Leases.
- 3.17.9 The Immovable Property and the Leased Premises have been properly maintained and are in good order and condition for the purposes of ongoing operations, subject only to ordinary wear and tear for premises of comparable nature, age and use.
- 3.17.10 The Company has not received notice of, and the Vendors have no Knowledge of, any contravention of or non-compliance with any Applicable Laws arising from the Company’s ownership, occupancy, leasing or use, as the case may be, of the Immovable Property or the Leased Premises or otherwise relating to or in connection with the Immovable Property or the Leased Premises.
- 3.17.11 The Company has received all approvals of Governmental Authorities (including licenses and permits) required in connection with the operation thereof pursuant to the Applicable Laws and the Leased Premises and the Immovable Property are operated and maintained in accordance with the Applicable Laws.
- 3.17.12 There are no contracts, orders, notices or demands of a material nature outstanding pertaining to or requiring improvements, alterations or repairs to the Immovable Property or the Leased Premises.
- 3.17.13 The Leased Premises and the Immovable Property are supplied with utilities and other services reasonably necessary for the operation of the Leased Premises and the Immovable Property for the Business as presently conducted.

3.18 Contracts, Agreements and Commitments

- 3.18.1 Section 3.18 of the Disclosure Letter is a complete and correct list of all Material Contracts to which the Company is a party or by which it is bound and copies of all written Material Contracts have been provided or made available to the Purchaser. Each such Material Contract is legal, binding, valid, enforceable, and in full force and effect. The Company is not in material default under any such Material Contract and there is no reasonably material foreseeable cost overrun on

any such Material Contract. No such Material Contract will terminate or give rights to third parties as a result of the sale of the Shares to the Purchaser.

- 3.18.2 No agreements involving the Company have provisions that could negatively impact the Purchaser or the Business by virtue of a change of ownership of the Company, or the parties to such agreements have waived any change of control provisions.
- 3.18.3 The Vendors have assumed all obligations under the agreement entered into between the Company and Gareau Auto Inc. dated April 13, 2007 relating to the lease by the Company of a 2007 Chevy Silverado 2500HD, serial number IGCHK39677E535409 and the agreement entered into between the Company and Gareau Toyota and Toyota Credit Canada Inc. relating to the lease by the Company of a Toyota 4Runner, serial number JTEBT14R040041504 and shall timely pay and discharge any amounts payable thereunder. The Vendors shall have completed all necessary action to transfer such vehicles to the Vendors and release the Company's obligations thereunder.

3.19 Non-arm's length transaction

- 3.19.1 None of the Company or any officer or director of the Company has any direct or indirect controlling interest in any competitor or supplier of the Company, or in any Person with whom the Company is doing business.
- 3.19.2 Except as disclosed in Section 3.19.2 of the Disclosure Letter, the Company does not have investments, loans or accounts receivable or payable, held by or owed to any of the Vendors or any Person not dealing at arm's length with the Company.
- 3.19.3 Except as disclosed in Section 3.19.3 of the Disclosure Letter, no director, former director, officer, shareholder or employee of the Company is indebted to the Company.
- 3.19.4 There are no transactions, contracts or other agreements between the Company and any non-arm's length party (as such term is defined in the Tax Act) or any director, officer, shareholder or employee of the Company other than contracts concerning employment conditions or other matters connected with employment contracts.

3.20 Privacy Laws

- 3.20.1 The collection, use, retention, disclosure and transfer of the Personal Information by the Company (including transfer of the Personal Information by the Company to the Purchaser as part of the Purchaser's due diligence and as contemplated by this Agreement) complies with all Privacy Laws.

3.21 Employees

- 3.21.1 Section 3.21.1 of the Disclosure Letter sets forth a true, complete and accurate list of all employees of the Company, in each case, their length of service, location, status (full-time, part-time, temporary, casual, seasonal, co-op student/trainee), position whether or not the employee (or the third party, as the case may be) has a written employment contract, agreement, or arrangement and the employee's total annual compensation, including annual salary, bonus payments, commissions, incentive compensation and any other remuneration to which the employee is entitled. As of the date hereof, all of the employees listed in Section 3.21.1 of the Disclosure Letter are employed by the Company directly and are considered employees of the Company under all Applicable Laws. Except as provided in Section 3.21.1 of the Disclosure Letter, the employees listed in Section 3.21.1 of the Disclosure Letter include the employees which were, until the date hereof, employed by Location d'Équipements de Forage Unique Ltée ("Unique"). None of the employees perform the Refurbishing and Resale Activities other than during normal business hours and such activities represented less than 2% in the aggregate of such employees' services for the financial year ended June 30, 2007. The Company does not have any employment contract, agreement or arrangement (whether written or oral) with any person whomsoever except as listed in Section 3.21.1 of the Disclosure Letter.
- 3.21.2 The Company has used reasonable efforts to ensure that the employees of the Company who, on the date of the Letter of Intent and are listed in Section 3.21.1 of the Disclosure Letter, remain employed by the Company following the Closing Date.
- 3.21.3 The Company is not, and never has been, bound by, or a party to, any collective bargaining agreement, or other agreement with labour unions or associations representing employees of the Company.
- 3.21.4 To the Knowledge of the Vendors, no trade union, council of trade unions, employee bargaining agency, organization or affiliated bargaining agent:
- (i) holds or has ever held bargaining rights with respect to any of the Company's employees by way of certification, interim certification, voluntary recognition, designation or successor rights;
 - (ii) has applied to be certified as the bargaining agent of any of the Company's employees; or
 - (iii) has applied to have the Company declared a related employer pursuant to the Applicable Laws of any province or jurisdiction.
- 3.21.5 To the Knowledge of the Vendors, there have not been any attempts within the past three years by any union, council of unions, employee bargaining agency,

organization or affiliated bargaining agent to organize or represent any of the Company's employees.

- 3.21.6 The Company is not involved in or, to the Knowledge of the Vendors, threatened with, any labour dispute, strike, work slowdown, arbitration, grievance, lawsuit, complaint or administrative proceeding relating to employment matters or involving any of the employees of the Company.
- 3.21.7 The Company is in compliance, in all material respects, with the Applicable Laws respecting employment, termination of employment, employment practices and terms and conditions of employment, and, as of the date hereof, has paid and remitted all salary, wages, bonus payments, levies, assessments, taxes, interest, charges, penalties and any other amounts, including with respect to workers' compensation, which, are owing to any employee or former employee of the Company or required to be remitted to any Governmental Authority in respect of an employee or former employee of the Company.
- 3.21.8 In respect of its employees, the Company has complied with all Applicable Laws relating to occupational health and safety.
- 3.21.9 All accruals for unpaid vacation pay, premiums for employment insurance, health premiums, Canada and Quebec Pension Plan premiums, accrued wages, bonus payments salaries and commissions and entitlements under any Employee Benefit Plan have been reflected in the books and records of the Company.
- 3.21.10 Except for remuneration paid to employees in the Ordinary Course of Business and in accordance with the terms of a written employment contract agreement or arrangement or as required by Applicable Law, no payments have been made or authorized since June 30, 2007 by the Company to officers, directors or employees of the Company. No changes have been made or promised to the remuneration payable to any employee, officer or director of the Company between the execution of the Letter of Intent and the Closing Date.

3.22 Employee Benefits

- 3.22.1 Except for the arrangements set forth in Section 3.22.1 of the Disclosure Letter which contains an accurate and complete list of all Employee Benefit Plans maintained by the Company for the benefit of its employees as of the Closing Date, the Company neither maintains nor contributes to, nor has ever maintained or contributed to, any pension, profit-sharing, deferred compensation, bonus, stock option, share appreciation right, severance, group or individual health, dental, medical, disability life insurance, survivor benefit, or similar plan, policy or arrangement, whether formal or informal, written or oral, for the benefit of any present or past director, officer, consultant or employee, whether active or inactive. As regards any bonus plan, policy or arrangement maintained for the benefit of the employees of the Company, Section 3.22.1 of the Disclosure Letter sets forth a complete and accurate statement of the method or formula for

calculating bonus entitlements hereunder. Each of the arrangements set forth in Section 3.22.1 of the Disclosure Letter is referred to as an “Employee Benefit Plan”.

3.22.2 No changes have been made or promised to any Employee Benefit Plan between the execution of the Letter of Intent and the Closing Date.

3.22.3 The Employee Benefit Plans have been duly registered where required by Law, and are in good standing under all Applicable Laws including, without limiting the generality of the foregoing, the Tax Act and the *Supplemental Pension Plans Act* (Québec) and all required employer contributions under any Employee Benefit Plan have been made and the applicable funds have been funded in accordance with the terms thereof or as required by Law, and no funding liabilities exist thereunder.

3.22.4

- (i) there is no pending or, to the Knowledge of the Vendors, threatened, legal action, complaint, proceeding or investigation, other than routine claims for benefits, concerning any Employee Benefit Plan or to the Knowledge of the Vendors any fiduciary or service provider thereof and, to the Knowledge of the Vendors, there is no basis for any such legal action or proceeding;
- (ii) no liability (contingent or otherwise) to any multi-employer plan has been incurred by the Company (other than insurance premiums satisfied in due course);
- (iii) to the Knowledge of the Vendors, no communication, report or disclosure has been made with any Employee which, at the time made, did not accurately reflect in all material respects the terms and operation of any Employee Benefit Plan; and
- (iv) no Employee Benefit Plan provides post-retirement benefits after termination of employment to employees or their beneficiaries.

3.22.5 the Company has not undertaken to maintain any Employee Benefit Plan for any period of time and each Employee Benefit Plan is terminable at the sole discretion of the Company, subject only to such constraints as may be imposed by any Applicable Laws and except for the collective insurance which may be terminated only at the end of each month.

3.23 **Competitive Business**

No supervisory, managerial or executive employee of the Company has given any verbal or written notice to the Company or the Vendors to the effect that he intends to resign, to establish a competitive business or to take employment with a competitor of the Company.

3.24 Litigation

- 3.24.1 Except as disclosed in Section 3.24 of the Disclosure Letter, there are no Claims (including without limitation any derivative proceeding on behalf of the Company) pending or to the Knowledge of the Vendors threatened against the Company or any of its assets, the Shares, or the ability of the Vendors to consummate the transactions contemplated hereunder, before or by any Governmental Authority, whether or not insured, or which might involve the possibility of any judgment or liability against the Company.
- 3.24.2 There are no (i) outstanding judgments, Orders of any Governmental Authority against the Company or any of its affiliates or any Vendor, or (ii) investigations by any Governmental Authority which are, to the Knowledge of the Vendors, pending or threatened against any Vendor, the Company or any of its affiliates, and which, in the case of each of clauses (i) and (ii), have a Material Adverse Effect on the ability of any Vendor or the Company to consummate the transactions contemplated hereby or to perform the obligations of Vendors under this Agreement.

3.25 Intellectual Property

- 3.25.1 Section 3.25.1 of the Disclosure Letter sets forth a complete list of all Intellectual Property owned by and registered in the name of, the Company or of which the Company is the licensor or licensee or in which the Company has any material right (other than with respect to “off-the-shelf” software which is generally commercially available) or which is otherwise material to use in or necessary for the conduct of the Business as presently conducted.
- 3.25.2 The registrations of all registered Intellectual Property are in full force and effect.
- 3.25.3 Except as set forth in Section 3.25.3 of the Disclosure Letter, the Company is the sole legal and beneficial owner of all Intellectual Property, listed in Section 3.25.1 of the Disclosure Letter, including all Intellectual Property in the Products.
- 3.25.4 To the Knowledge of the Vendors, the Company is not now nor has ever infringed any third party Intellectual Property rights.
- 3.25.5 the Company has not at any time been sued or been the subject of a Claim, or been a defendant in any Claim (other than one which has been finally terminated prior to the date hereof with no ongoing obligations) that involves the infringement or alleged infringement of any third party Intellectual Property rights, and no such Claims are pending or, to the Knowledge of the Vendors, threatened.
- 3.25.6 the Company has not made any Claim of infringement of any of the Intellectual Property against any other Person.

3.25.7 the Vendors have no Knowledge of any infringement by any other Person of any Intellectual Property.

3.26 Liability

Except as provided in Section 3.26 of the Disclosure Letter, the Company does not have any liability (and, to the Knowledge of the Vendors, there is no basis for any present or future Claim against the Company giving rise to any liability) arising out of any injury to individuals or property as a result of the ownership, possession or use of any drills, rigs, equipment or other material sold or delivered or services provided by the Company. To the Knowledge of the Vendors, there exists no condition, situation or set of circumstances relating to the Business and operations of the Company which could reasonably be expected to result in any Adverse Consequence by or Claim against or liability of the Company.

3.27 Warranty Liability

No drills, rigs, equipment, product or other material sold or delivered or services provided by the Company is subject to any guarantee, warranty or other indemnity beyond the applicable standard terms and conditions of sale described in Section 3.27 of the Disclosure Letter. Each equipment, product or other asset manufactured, sold, leased, or delivered by the Company has been in conformity with all applicable contractual commitments and all express and implied warranties, and the Company has no liability (and, to the Knowledge of the Vendors, there is no basis for any present or future Claim against the Company giving rise to any liability) for replacement or repair thereof or other damages in connection therewith. The Company has no liability (and, to the Knowledge of the Vendors, there is no basis for any present or future Claim against the Company giving rise to any liability) arising out of any injury to individuals or property as a result of the ownership, possession, or use of any equipment, product or other asset manufactured, sold, leased, or delivered by the Company.

3.28 Service Liability

The Company has no liability (and, to the Knowledge of the Vendors, there is no basis for any present or future Claim against the Company giving rise to any liability) arising out of any injury to individuals or property as a result of any services or activities rendered by the Company.

3.29 Insurance

3.29.1 Attached as Section 3.29 of the Disclosure Letter is a true and complete list of all insurance policies maintained by the Company that also specifies the insurer, the amount of the coverage, the type of insurance, the policy number and a description of any Claims made by the Company thereunder within the three years prior to the Closing Date. The Company has been covered during the past five years by insurance in scope and amount reasonable for the Business in accordance with industry standards, during the aforementioned period. The Company is not in default with respect of payment of premiums on any insurance

policy held by the Company and no event has occurred which, with notice or the lapse of time, would constitute a breach or default, or permit termination, modification, or acceleration, under such policy.

- 3.29.2 The Company has maintained all insurance coverage on all losses relating to the Business, including its assets used therein, occurring up to and until the Closing Date, and continues to maintain insurance coverage for matters occurring prior to the Closing Date. Such insurance coverage will not be affected by the transactions contemplated herein and will continue to be valid following the Closing Date. Insurance in place, including liability and movable property insurance, relating to the Business will not be impacted by the transactions contemplated hereby.

3.30 **Corporate Records**

The corporate records and minute books of the Company contain materially complete and accurate minutes of meetings of directors and shareholders held since 1982, and the share certificate books, register of shareholders and register of transfers of the Company are complete and accurate in all respects.

3.31 **Environmental Matters**

Except as disclosed at Section 3.31 of the Disclosure Letter:

- 3.31.1 The Company, its Business and Activities, equipment, buildings, immoveables and the properties it owns, leases, occupies or has the custody of, including the Immovable Property and the Leased Premises, have at all time been and are in compliance with all Environmental Laws.
- 3.31.2 The Company holds all permits, certificates, licenses, certificates of authorization, approvals, consent, registrations and other authorizations required under Environmental Laws for its Activities (the “**Environmental Permits**”); each Environmental Permit is valid and in force and the Activities of the Company are in compliance with the conditions set out in the Environmental Permits; the Vendors do not have any Knowledge of any grounds for revocation, change, expiry or annulment of any Environmental Permits.
- 3.31.3 The Company, and in connection with their work with the Company, its employees, agents, shareholders, directors and officers have never been declared guilty of committing an offence for a violation of Environmental Laws and have never been imposed a fine or penalty or have never otherwise settled such a prosecution. All such fines and penalties disclosed in Section 3.31 of the Disclosure Letter have been fully paid by the Company.
- 3.31.4 To the Knowledge of the Vendors, there are no Contaminants in, on or under the equipment, buildings, immoveables or properties owned, leased, occupied by or under the custody of the Company, presently or in the past, including the

Immovable Property and the Leased Premises, the presence of which constitutes a violation of Environmental Laws.

- 3.31.5 To the Knowledge of the Vendors, the residual materials, waste, effluents and air emissions generated by the Activities of the Company and all Contaminants used, treated, transported, disposed of, discharged or stored at the equipment, buildings, immoveables or properties owned, leased, occupied by or under the custody of the Company, including the Immovable Property and the Leased Premises, have at all time been and are treated, handled, stored, transported, disposed of, discharged and eliminated in accordance with Environmental Laws.
- 3.31.6 The Company has not received any written or verbal notice or request for information in the context of any environmental federal, provincial, regional or municipal investigation or inspection.
- 3.31.7 Except as disclosed in Section 3.31.7 of the Disclosure Letter, there is no underground or aboveground storage tank in, on or under the equipment, buildings, immoveables or properties owned, leased or occupied by or under the custody of the Company, including the Immovable Property and the Leased Premises.
- 3.31.8 Except as disclosed in Section 3.31.8 of the Disclosure Letter, the Company is not and does not Discharge or allow the Discharge of Contaminants and the Vendors have no Knowledge of a Discharge of Contaminants at, on, in, under, into, onto or from the equipments, buildings, immoveables or properties owned, leased, occupied by or under the custody of the Company, presently or in the past, including the Immovable Property and the Leased Premises.
- 3.31.9 To the Knowledge of the Vendors, there are no PCBs, asbestos, urea formaldehyde, methane, lead-based paint, radon, ozone-depleting substances or radioactive substances in, on or under the equipment, buildings, immoveables or properties owned, leased or occupied by or under the custody of the Company, including the Immovable Property and the Leased Premises.
- 3.31.10 There is no Claim or Order, pending or, to the Knowledge of the Vendors, threatened, against the Company, their employees, agents, shareholders, directors and officers, or involving the Company, its Activities, its assets or its Business, before or by any tribunal, commission, agency or any governmental entity or Governmental Authority (including Environment Canada, the Ministry of Sustainable Development, Environment and Parks (Quebec) and the Ministry of Natural Resources and Wildlife (Quebec)), and to the Knowledge of the Vendors, there is no event or fact based on which such Claim or Order may be instituted.

3.32 Full Disclosure

- 3.32.1 None of the representations and warranties made by the Vendors or made in any certificate furnished or to be furnished by the Vendors contain any untrue material statement of fact, or omit to state any fact necessary to take the

statements made, in the light of the circumstances under which they were made, not misleading; nor have the Vendors omitted to disclose any material information in connection with the Company or the transactions herein contemplated that could constitute a Material Adverse Effect.

3.32.2 To the Knowledge of the Vendors, all the answers and responses provided by the Company and the Vendors in response to the Purchaser's due diligence request list sent on May 12, 2008, the Additional Questions dated July 31, 2008 of McCarthy Tétrault LLP, legal counsel to the Purchaser and in the index provided by the Vendor's counsel, which are attached to Section 3.32 of the Disclosure Letter are true and accurate in all material respects. To the Knowledge of the Vendors, all information provided by the Company and the Vendors to the Purchaser and its representatives is true and accurate in all material respect and no material fact has been omitted therefrom which would make such information misleading.

3.33 Reasonably Detailed Inquiry

3.33.1 In connection with the representations and warranties set forth herein that are qualified by the Knowledge of the Vendors, the Vendors have taken all reasonable steps to ensure that the officers and directors of the Company (including the Key Employees), and have conducted a reasonably detailed inquiry about the underlying facts or circumstances underlying such representations and warranties.

4. SURVIVAL OF REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE VENDORS

All representations and warranties of the Vendors set forth in Article 3 shall survive for a period of twenty-four (24) months from the Closing Date, except that (i) representations and warranties contained in Sections 3.13 and 3.31 shall survive without limitation, and (ii) representations and warranties fraudulently made shall survive without limitation.

5. PURCHASER'S REPRESENTATIONS AND WARRANTIES

The Purchaser represents and warrants to the Sellers that:

5.1 Organization

The Purchaser is duly incorporated, organized and validly existing and in good standing under the Applicable Laws of its jurisdiction of incorporation, with the full corporate power to own all of its assets and to carry on its business.

5.2 Authority

5.2.1 All requisite directors, shareholders or other corporate approval on the part of the Purchaser have been obtained to permit the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby.

5.2.2 This Agreement has been duly and validly executed and delivered by Purchaser, and is a valid and binding obligation of Purchaser enforceable in accordance with its terms, subject to the Applicable Laws respecting bankruptcy, insolvency, corporate reorganization or other similar Applicable Laws affecting creditor's rights generally and rules of Applicable Law giving specific performance, injunctive relief or equitable remedies.

5.2.3 Neither the entering into nor the delivery of this Agreement nor the completion of the transactions contemplated hereby by the Purchaser will result in:

- (i) the violation of any of the provisions of the charter documents or by-laws of the Purchaser;
- (ii) the conflict with, breach of or creation of an event of default (or event that, with the giving of notice or lapse of time or both, would constitute an event of default) under, or an event which would give any party the right to accelerate any obligation under, any agreement or other instrument or Order to which the Purchaser is a party or by which it is bound;
- (iii) the creation of any Encumbrance upon any of the properties or assets of the Purchaser; or
- (iv) the violation of any Applicable Laws.

5.3 **No Broker**

The Purchaser has carried on all negotiations relating to this Agreement and the transactions contemplated in this Agreement directly and without the intervention on its behalf of any other party in such manner as to give rise to any valid Claim for a brokerage commission, finder's fee or other like payment.

5.4 **Full Disclosure**

None of the representations and warranties made by the Purchaser or made in any certificate furnished or to be furnished by the Purchaser contain any untrue material statement of fact, or omit to state any fact necessary to take the statements made, in the light of the circumstances under which they were made, not misleading.

6. **SURVIVAL OF PURCHASER'S REPRESENTATIONS AND WARRANTIES**

All representations and warranties of the Purchaser set forth in Article 5 shall survive for a period of twenty-four (24) months from the Closing Date and the representations and warranties made fraudulently shall survive without limitation.

7. INDEMNIFICATION

7.1 Indemnification by the Vendors

7.1.1 The Vendors, shall solidarily (jointly and severally) indemnify, defend and hold harmless the Purchaser and any of its directors and officers from and against any Adverse Consequences arising out of, resulting from, or relating to any of the following (and whether or not pursuant to a Claim by a third party or an Adverse Consequence suffered by the Company directly):

- (i) any violation, contravention or breach of any covenant, agreement or obligation of the Vendors under or pursuant to this Agreement;
- (ii) any misrepresentation in, or breach of, any representation, warranty or covenant made by the Vendors pursuant to Article 3 or in any certificate or other document delivered or given pursuant to this Agreement;
- (iii) any liabilities or obligations of the Company for Taxes, but excluding any Adverse Consequences under Section 7.1.1(iv), together with any penalties or interest (except for the amount of estimated Taxes provided in Schedule 3.13.1 minus any Overestimated Tax Amount paid by Purchaser to Vendors pursuant to Section 2.3.7 hereof) including, for greater certainty, any liabilities or obligations resulting from the audit disclosed in Section 3.13.4 of the Disclosure Letter;
- (iv) any Adverse Consequences (including any income Tax liability or loss or reduction of tax attributes (including but not limited to a reduction of the undepreciated capital cost, cost or adjusted cost base, all within the meaning of the Tax Act, of property of the Company) which shall be computed by multiplying the amount of such loss or reduction of tax attributes by the combined federal and provincial tax rate applicable to the Company for its taxation year ending June 30, 2008, such result, in the case of a reduction in the undepreciated capital cost, being thereafter actualized over the remaining depreciation period of the class subject to such reduction using an interest rate equal to the interest rate of seven percent (7%), relating to or arising in connection with the Pre-Closing Reorganization or the 2008 Reorganization;
- (v) any Claims or liabilities, including those relating to termination obligations to, by or on behalf of any employees or former employees of the Company relating to matters arising or occurring prior to the Closing Date;
- (vi) any Claims or liabilities relating to any termination obligations owed to any employees of the Company offered a continuing position with the Company post Closing on terms similar to the terms of employment with the Company as of the Letter of Intent and refusing same, as well as any termination obligations owed to employees who resign within three

months of the Closing Date, including any such termination obligations to any employee who became employed by the Company in connection with the transactions contemplated herein or who refused such employment by the Company;

- (vii) any liability of the Company for Taxes under Section 185.1(1) of the Tax Act in relation to an excessive eligible dividend designation, as defined in the Tax Act, following any operation, reorganization, dividend payment (including the Pre-Closing Reorganization and the 2008 Reorganization) up to and including the Closing Date, provided that if such a liability arises, the Purchaser will advise the Vendors who have received or were entitled to receive dividends which have given rise to such excessive dividend designation. At the request of such Vendors, the Company will elect to treat an excessive eligible dividend designation as an ordinary dividend under subsection 185.1(2) of the Tax Act and any equivalent provision of any applicable provincial law. The Company and the Vendors will sign any relevant document or form presented by the Purchaser in order that the Company elect in the manner and within the delay prescribed under the Tax Act and any applicable provincial law. The Company shall not be obligated to elect under Subsection 185.1 (2) of the Tax Act and the obligation of the Vendor to indemnify the Purchaser shall continue to be enforceable unless such an election can be properly filed as prescribed by the Tax Act and would eliminate any liability of the Company under Part III.1 of the Tax Act including interest and penalties and the Vendors will indemnify the Purchaser for any and all costs incurred in connection with the preparation of such election, including any interest and penalties relating thereto;
- (viii) (a) any Discharge or presence of any Contaminants at, in, on, under, into, unto or from any equipment, building, immovable or property owned, leased or occupied by or under the custody of the Company, presently or in the past, including the Immovable Property and the Leased Premises, on or prior to the Closing Date; (b) any violation by the Business, the Activities, the Vendors or the Company or by any equipment, building, immovable or property owned, leased or occupied by or under the custody of the Company, presently or in the past, including the Immovable Property and the Leased Premises, of any Environmental Laws which occurred on or prior to the Closing Date; and (c) any environmental matter or any environmental condition whatsoever existing on or arising after the Closing Date in respect of any fact, condition or circumstance existing on or arising or occurring on or prior to the Closing Date, including any on-going Discharge of Contaminants; and
- (ix) any Claims or liabilities assumed by the Vendors pursuant to Article 8.

7.2 Indemnification by Purchaser

The Purchaser shall indemnify, defend and hold harmless the Vendors from and against any Adverse Consequences arising out of, resulting from, or relating to any of the following:

- 7.2.1 any misrepresentation in, or breach of, any representation or warranty made by the Purchaser pursuant to Article 5; or
- 7.2.2 any failure of the Purchaser duly to perform or observe any term, provision, covenant or agreement to be performed or observed by the Purchaser pursuant to this Agreement, any related agreement or any of the documents executed in connection with this Agreement.

7.3 Matters Involving Third Parties

- 7.3.1 If any third party notifies any party (the “**Indemnified Party**”) with respect to any matter (a “**Third Party Claim**”) which may give rise to a Claim for indemnification against any other party (the “**Indemnifying Party**”) under this Article 7, then the Indemnified Party must promptly notify the Indemnifying Party in writing (it being understood that in the case of the Vendors, the notice will solely be sent to the Vendors’ Representative) and in reasonable detail, of the Third Party Claim within 10 Business Days after receipt by such Indemnified Party of written notice of the Third Party Claim provided, however, that no delay on the part of the Indemnified Party in notifying any Indemnifying Party will relieve the Indemnifying Party from any obligation hereunder unless (and then solely to the extent that) the Indemnifying Party thereby is prejudiced. Thereafter, the Indemnified Party shall deliver to the Indemnifying Party, within ten Business Days after the Indemnified Party’s receipt thereof, copies of all notices and documents (including court papers) received by the Indemnified Party relating to the Third Party Claims.
- 7.3.2 Any Indemnifying Party will have the right to defend the Indemnified Party against the Third Party Claim or to negotiate a settlement thereof with counsel of its choice so long as (i) the Indemnifying Party notifies the Indemnified Party in writing within 15 Business Days after the Indemnified Party has given notice of the Third Party Claim (or such shorter period as the Indemnified Party has notified the Indemnifying Party that it is required by Applicable Law to respond to such Claim) that the Indemnifying Party will indemnify the Indemnified Party from and against any Adverse Consequences the Indemnified Party may suffer resulting from, arising out of, relating to, in the nature of, or caused by the Third Party Claim to the extent provided in this Article 7, (ii) the Third Party Claim involves only money damages and does not seek an injunction or other equitable relief, or result in the risk of any criminal penalties, and the Indemnified Party will have reasonably determined that the action to be taken will not result in any danger of sale, forfeiture or loss of or creation of any lien on, any property of the Indemnified Party, (iii) settlement of, or an adverse judgment with respect to, the

Third Party Claim is not, in the reasonable good faith judgment of the Indemnified Party, likely to establish a precedential custom or practice adverse to the continuing business interests of the Indemnified Party, or to be detrimental to the reputation of the Company or the Purchaser, and (iv) the Indemnifying Party fails to conduct the defence of the Third Party Claim. Provided, further, that in the case of any contest of any Third Party Claim involving Taxes, the Indemnifying Party will (i) remit to the relevant Taxation Authority an amount equal to the portion of the Claim for Taxes that may be the object of collection proceedings under the Tax Act or any provincial legislation and (ii) deliver to such Indemnified Party, at the Indemnifying Party's sole expense, an opinion of counsel reasonably acceptable to the Indemnified Party to the effect that a reasonable basis for such contest exists. If the Indemnifying Party then so elects to assume the defence of any Third Party Claim, the Indemnified Party shall use its best efforts to fully cooperate with the Indemnifying Party in the defence or settlement thereof. Such cooperation shall include the retention and the provision of records and information which are reasonably relevant to such Third Party Claim, and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder.

- 7.3.3 So long as the Indemnifying Party is conducting the defence of the Third Party Claim in accordance with Section 7.3.2 above, the Indemnified Party may retain separate co-counsel at its sole cost and expense and participate in the defence of the Third Party Claim.
- 7.3.4 In the event any condition in Section 7.3.2 above is or becomes unsatisfied, however, (i) the Indemnified Party may defend against, and consent to the entry of any judgment or enter into any settlement with respect to, the Third Party Claim in any manner it reasonably may deem appropriate (and the Indemnified Party need not obtain any consent from, any Indemnifying Party in connection therewith though it will endeavour to consult with such Indemnifying Party), (ii) the Indemnifying Party will reimburse the Indemnified Party promptly and periodically for the costs of defending against the Third Party Claim (including reasonable attorneys' fees and expenses), and (iii) the Indemnifying Party will remain responsible for any Adverse Consequences the Indemnified Party may suffer resulting from, arising out of, relating to, in the nature of, or caused by the Third Party Claim to the fullest extent provided in this Article 7.

7.4 Vendors' Representative

Without limiting the generality of Section 1.8, the Vendors hereby name and appoint the Vendors' Representative as its attorney-in-fact to receive notice and do any and all things necessary to settle any and all indemnification matters in their respective names and on their respective behalf in accordance with the provisions of this Article 7. For greater certainty, it is understood for the purposes of this Article 7 that, in the case of the Vendors, all references made to the Indemnifying Party shall mean the Vendors' Representative, acting on behalf of the Vendors.

7.5 Indemnification Limitations

- 7.5.1 The Purchaser may bring a Claim seeking indemnification under Section 7.1 only if such Claim, either alone or when aggregated with all such Claims for indemnification by Purchaser, exceeds \$200,000 (the “**Threshold Amount**”). In the event that the Purchaser brings a Claim or Claims for an amount in excess of the Threshold Amount, the Purchaser shall be entitled to indemnification for the full amount of all such Claims, including the initial \$200,000. Notwithstanding the foregoing, the Threshold Amount shall not be applicable in the event of any Claim for indemnification under Sections 2.3.5, 7.1.1(iii), 7.1.1(iv), 7.1.1(v), 7.1.1(vi), 7.1.1(vii), 7.1.1(viii) and 7.1.1(ix), Article 8 and Section 10.3 or any Claim for indemnification based upon or attributable to, or which shall result from fraud, wilful misconduct or intentional misrepresentation. Furthermore, the Threshold Amount shall also not be applicable in the event of any Claim for indemnification related to Taxes, any Claims under 7.1.1(ii) for misrepresentations under Sections 3.12.2, 3.13, 3.18.3 and 3.31 and any misrepresentation regarding solely the drilling equipment under Section 3.16.3.
- 7.5.2 The Purchaser may bring a Claim seeking indemnification under Section 7.1 for any misrepresentation relating solely to the drilling equipment under Section 3.16.3 only if such Claim, either alone or aggregated with all such Claims under Section 7.1.1(ii) for misrepresentations relating solely to the drilling equipment, exceeds \$200,000 (the “**Drilling Equipment Threshold Amount**”). In the event that the Purchaser brings a Claim or Claims under Section 7.1.1(ii) for any misrepresentation relating to the drilling equipment under Section 3.16.3 in excess of the Drilling Equipment Threshold Amount, the Purchaser shall be entitled to indemnification for all amounts of such Claim or Claims which exceed the Drilling Equipment Threshold Amount, but excluding the initial \$200,000. For greater certainty, any such Claim or Claims which exceed the Drilling Equipment Threshold Amount shall not benefit from the provisions of the Threshold Amount under Section 7.5.1. Notwithstanding the foregoing, the Drilling Equipment Threshold Amount shall not be applicable in the event of any Claim or Claims for indemnification based upon or attributable to, or which shall result from fraud, wilful misconduct or intentional misrepresentation.
- 7.5.3 The Purchaser may not bring a Claim for indemnification under this Agreement with respect to any individual Claim of \$10,000 or less. Notwithstanding the foregoing, this Section shall not apply to any Claims related to Sections 2.3.5, Claims under Section 7.1.1(ii) for misrepresentations under Section 3.12.2 and Claims under Section 7.1.1(iv).
- 7.5.4 The Purchaser agrees and acknowledges that, with respect to any and all Claims, the maximum aggregate liability of the Vendors shall be limited to \$10,500,000 and, to the extent that the Claims exceed \$10,500,000, the Vendors shall have no liability to pay any amount above such sum. Notwithstanding the foregoing, the limitation set forth in this Section 7.5.4 shall not be applicable in the event of any

Claim for indemnification under Sections 2.3.5, 7.1.1(iii), 7.1.1(iv), 7.1.1(v), 7.1.1(vi), 7.1.1(vii), 7.1.1(viii) and 7.1.1(ix) and Article 8 or to any Claim for indemnification based upon or attributable to, or which shall result from fraud, wilful misconduct or intentional misrepresentation. Furthermore, the limitation set forth in this Section 7.5.4 shall not be applicable in the event of any Claim for indemnification related to Taxes and any Claims under 7.1.1(ii) for misrepresentations under Sections 3.12.2, 3.13, 3.18.3 and 3.31.

7.5.5 In the event the Purchaser or the Company brings a Claim seeking indemnification under Section 7.1:

- (i) before the amounts payable to the Vendors pursuant to Section 2.3.1 have been paid to the Vendors, the Purchaser shall be entitled to withhold, deduct and set off the amount of the Claim against such amounts in accordance with Sections 2.3.4 and 2.3.5;
- (ii) before the First Holdback has been paid by the Purchaser to the Vendors, the Purchaser shall be entitled to withhold, deduct and set off the amount of the Claim against the First Holdback in accordance with Section 2.3.4; or
- (iii) before the Second Holdback has been paid by the Purchaser to the Vendors, the Purchaser shall be entitled to withhold, deduct and set off the amount of the Claim against the Second Holdback in accordance with Section 2.3.4.

Except as provided in Sections 2.3.4 and 2.3.5 and this Section 7.5.5, the Purchaser or its affiliates shall not be entitled to withhold, deduct and set off from any amount owing by the Purchaser or its affiliates to the Vendors or their respective affiliates against (i) any other amounts owing by the Purchaser to the Vendors under this Agreement, (ii) any amounts owing to Pierre pursuant to the consulting agreement between the Company and Pierre entered into on the Closing Date, (iii) any amount owing to Parlec pursuant to the supply agreement between the Company and Parlec entered into on the Closing Date or (iv) any amounts owing to Unique pursuant to the Lease Agreement between Unique and the Company entered into on the Closing Date.

7.5.6 In no event shall any Indemnifying Party be responsible or liable for any Adverse Consequences or other amounts under this Article 7 that are consequential, in the nature of lost profits, diminution in the value of property, special or punitive or otherwise not actual damages. Each party shall (and shall cause its affiliates to) use reasonable commercial efforts to pursue all legal rights and recourses available in order to minimize the Adverse Consequences for which indemnification is provided to it under this Article 7.

7.5.7 The amount of Adverse Consequences recoverable by an Indemnified Party under this Article 7 with respect to an indemnity claim shall be reduced by the

amount of any payment received by such Indemnified Party (or an affiliate thereof), with respect to the Adverse Consequences to which such indemnity claim relates, from an insurance carrier. If an Indemnified Party (or an affiliate) receives any insurance payment in connection with any claim for Adverse Consequences for which it has already received an indemnification payment from the Indemnifying Party, it shall pay to the Indemnifying Party, within 30 days of receiving such insurance payment, an amount equal to the excess of (A) the amount previously received by the Indemnified Party under this Article 7 with respect to such claim plus the amount of the insurance payments received, over (B) the amount of Adverse Consequences with respect to such claim which the Indemnified Party has become entitled to receive under this Article 7.

- 7.5.8 Except with respect to Claims for equitable relief, including specific performance, and Claims for fraud, made with respect to breaches of any covenant or agreement contained in this Agreement, the rights of the Indemnified Parties under this Article 7 shall be the sole and exclusive recourses of the Indemnified Parties and their respective affiliates with respect to Claims covered by Section 7.1 or otherwise relating to the transactions that are the subject of this Agreement.
- 7.5.9 Notwithstanding any provision of this Agreement, in the event that a Person (the “**Indemnified Party**”) pursues a Claim for indemnification pursuant to this Agreement against a party hereto (the “**Indemnifying Party**”), the reasonable attorneys’ and experts’ fees incurred by the Indemnified Party to pursue such Claim against the Indemnifying Party shall be payable by the Indemnifying Party to the Indemnified Party only if the Indemnified Party is successful in such Claim. In the event the Indemnified Party is unsuccessful in the Claim against the Indemnifying Party, the Indemnified Party shall pay to the Indemnifying Party the reasonable attorney’s and expert’s fees incurred by the Indemnifying Party to defend such Claim.

8. CLAIMS FOR REFURBISHING AND RESALE ACTIVITIES

The Vendors solidarily (jointly and severally) hereby assume all obligations and liabilities related to the Refurbishing and Resale Activities of the Company conducted by the Company up to the Closing Date and the Vendors will solidarily (jointly and severally) indemnify the Purchaser and the Company from any Adverse Consequences which could arise, directly or indirectly, as a result of the Refurbishing and Resale Activities conducted by the Company up to the Closing Date. Without limiting the generality of the foregoing, the Vendors solidarily (jointly and severally) undertake to perform all works relating to any drills, rigs, equipment or other assets sold by the Company prior to the Closing Date, including any such works required in connection with any legal or contractual warranties for such equipment, drills, rigs or other assets.

9. INTENTIONALLY DELETED

10. GENERAL

10.1 Time of the Essence

Time shall be of the essence of this Agreement.

10.2 Commissions

Vendors and Purchaser agree to indemnify and save harmless one another from and against any Claims whatsoever for any commission or other remuneration payable or alleged to be payable to any Person in respect of the transactions contemplated herein, whether such Person purports to act or have acted for Vendors or Purchaser in connection with the transactions contemplated herein.

10.3 Expenses

Each of the Purchaser and Vendors will bear their own costs and expenses (including legal and accounting fees and expenses) and the Vendors will bear all of the costs and expenses (including legal and accounting fees and expenses) of the Company incurred in connection with this Agreement and the transactions contemplated hereby. For greater certainty, the Vendors will bear the costs of the Pre-Closing Reorganization and any other ancillary matters. The Company also agrees that it has not paid any amount to any third party, and will not pay any amount to any third party, with respect to any of the costs and expenses of the Company and the Vendors (including any of their legal fees and expenses) in connection with this Agreement, the Pre-Closing Reorganization or any of the transactions contemplated hereby.

10.4 Public Announcements

No public announcement or press release concerning the existence of this Agreement, the contents thereof or the transactions contemplated thereby shall be made by the Vendors or the Purchaser without the prior written consent and approval of the Vendors' Representative and the Purchaser (except as required pursuant to any Law including the Purchaser's disclosure obligations under Securities Laws). Notwithstanding the foregoing, the Purchaser shall, following Closing, have the right to disclose by way of press release the material terms of the transactions contemplated herein, provided that the Vendors have been provided with a copy of said press release prior to its issue.

10.5 Benefit of the Agreement

This Agreement shall inure to the benefit of and be binding upon the respective heirs, executors, administrators, personal representatives, successors and permitted assigns of the parties hereto.

10.6 **Entire Agreement**

This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the parties hereto with respect thereto including the Letter of Intent. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement.

10.7 **Amendments and Waiver**

No modification of or amendment to this Agreement shall be valid or binding unless set forth in writing and duly executed by the Vendors' Representative and the Purchaser and no waiver of any breach of any term or provision of this Agreement shall be effective or binding unless made in writing and signed by the Vendors' Representative, or the Purchaser, as the case may be.

10.8 **Assignment**

This Agreement may not be assigned by the Vendors without the written consent of the Purchaser but may be assigned by the Purchaser without the consent of the Vendors to an affiliate (as defined in the *Canada Business Companies Act*) of the Purchaser but subject to the Purchaser remaining solidarily (jointly and severally) liable with the assignee for the fulfillment of the Purchaser's obligations hereunder.

10.9 **Notices**

Any demand, notice or other communication to be given in connection with this Agreement shall be given in writing and shall be given by personal delivery, by registered mail or by electronic means of communication addressed to the recipient as follows:

To the Purchaser and the Company:

111 St. George Street
Suite 200
Moncton, NB E1C 1T7

Attention: Denis Larocque and James Gibson

Telecopier: 506-857-9211

with a required copy to:

McCarthy Tétrault LLP
1000 de La Gauchetière Street West, Suite 2500
Montreal, Quebec H3B 0A2
Attention: Shea Small and Patrick Boucher

Telecopier: (514) 875-6246 and (416) 868-0673

To the Vendors or the Vendors' Representative:

Pierre Benoit
429 Sabourin Boulevard
Val-d'Or (Québec) J9P 5B2

Telecopier: (819) 825-0784

with a required copy to:

Fraser Milner Casgrain LLP
1 Place Ville-Marie, 39th Floor
Montreal, Quebec H3B 4M7
Attention: Richard Gauthier and Maxime Cloutier

Telecopier: (514) 866-2241

or to such other address, individual or electronic communication number as may be designated by notice given by a party to the others. Any demand, notice or other communication given by personal delivery shall be conclusively deemed to have been given on the day of actual delivery thereof and, if given by registered or certified mail, on the third Business Day following the deposit thereof in the mail and, if given by electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the Business Day during which such normal business hours next occur if not given during such hours on any day. If the party giving any demand, notice or other communication knows or ought reasonably to know of any difficulties with the postal system which might affect the delivery of mail, any such demand, notice or other communication shall not be mailed but shall be given by personal delivery or by electronic communication.

10.10 **Governing Law**

This Agreement shall be governed by and construed in accordance with the Applicable Laws of the Province of Québec and the Applicable Laws of Canada applicable therein without giving effect to any choice or conflict of law provision or rule that would cause application of any jurisdiction other than the Province of Québec. Any and all disputes arising under this agreement, whether as to interpretation, performance or otherwise, shall be subject to the exclusive jurisdiction of the courts of the Province of Quebec within the judicial district of Montreal and each party hereto hereby irrevocable attorns to the exclusive jurisdiction of such courts.

10.11 Counterparts

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

(Remainder of the page intentionally left blank)

IN WITNESS WHEREOF, the parties have executed this Agreement.

MAJOR DRILLING GROUP INTERNATIONAL INC.

Per: *James A. Gibson*
Vice President of Legal Affairs and
General Counsel

LES ENTREPRISES FAPIERJO LIMITÉE

Per: *Pierre Benoît*

Pierre Benoît
PIERRE BENOÎT

Johanne Benoît
JOHANNE BENOÎT

ACKNOWLEDGEMENT

The undersigned agrees to act as Vendors' Representative under the attached Share Purchase Agreement and to perform all of the duties of the Vendors' Representative provided therein in accordance with its terms.

Pierre Benoit
as Vendors' Representative