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COURT FILE NUMBER	1703-12327
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	EDMONTON
	IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND IN THE MATTER OF A PLAN OF ARRANGEMENT OF CANADA NORTH GROUP INC., CANADA NORTH CAMPS INC., CAMPCORP STRUCTURES LTD., D.J. CATERING LTD., 816956 ALBERTA LTD., AND 1371047 ALBERTA LTD.
DOCUMENT	MONITOR'S FIRST REPORT July 24, 2017
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	<u>MONITOR</u> ERNST & YOUNG INC. EPCOR Tower 10423 - 101 Street, Suite 1400 PO Box 44 Edmonton, Alberta T5H 0E7 Attention: Matt McCulloch / Dan McCulloch Telephone: 780-638-6642 / 780-441-4695 Fax: 780-428-8977 Email: matt.mcculloch@ca.ey.com dan.mcculloch@ca.ey.com <u>COUNSEL</u> Duncan Craig LLP Suite 2800, 10060 Jasper Avenue Edmonton, Alberta T5J 3V9 Attention: Darren R. Bleganek, QC Phone: 780-441-4386 Fax: 780-428-9683 Email: dbleganek@dcllp.com

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INTRODUCTION AND PURPOSE OF THE REPORT

1. On July 5, 2017, Canada North Group Inc. ("**CNG**"), Canada North Camps Inc. ("**CNC**"), Campcorp Structures Ltd. ("**Campcorp**"), D.J. Catering Ltd. ("**DJ**"), 816956 Alberta Ltd. ("**816**"), And 1371047 Alberta Ltd. ("**137**") (hereinafter collectively referred as the "**Applicants**" or the "**Companies**" or the "**Group**") made an application before this Honourable Court requesting certain relief under the *Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended* (the "**CCAA**") and obtained, inter alia, an initial order (the "**Initial Order**"), a stay of proceedings ("**Stay**") against the Applicants for a period of 30 days up to and including August 3, 2017, and the appointment of Ernst & Young Inc. ("**EYI**" or the "**Monitor**") as monitor of the Applicants. In addition to the appointment of the Monitor, the Initial Order also included the appointment of R.e.l. group inc. as Chief Restructuring Officer ("**CRO**").

2. Prior to the application noted above, on June 26th, 2017, each of CNG, CNC, Campcorp, and DJ filed a Notice of Intention to Make a Proposal ("**NOI**") pursuant to Section 50.4(1) of the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3 ("BIA") and EYI consented to act as Trustee in each instance. These NOI proceedings commenced by CNG, CNC, Campcorp and DJ under the BIA were taken up and continued under the CCAA.

3. The purpose of this report (the "**Monitor's First Report**") is to provide this Honourable Court and the Applicants' creditors and other interested parties with information and a recommendation in connection with the Group's application for an extension of the Stay imposed under the Initial Order up to and including November 3, 2017. Specifically, this report will address the following:

    a) The Monitor's activities since the date of the Initial Order;
    b) The CRO's activities since the date of the Initial Order;
    c) The conduct of the Applicants since the date of the Initial Order;
    d) Changes and developments pertaining to the Companies' weekly cash flow projection previously provided in support of the Initial Order;
    e) The status of Applicants' restructuring efforts and the related Plan of Compromise or Arrangement (the "**Plan**");
    f) The potential addition of 1919209 Alberta Ltd. ("**1919**") as an applicant to the CCAA proceedings
    g) Other matters relevant to these CCAA proceedings or the Applicants' application for an extension of the Stay at this time; and,

h) The Monitor's recommendations in relation to the extension of the Stay, and the addition of 1919 to these CCAA proceedings as requested by the Applicants.

DISCLAIMER

4. In preparing this report, the Monitor has relied upon unaudited financial information of the Applicant, the Applicant's books and records, certain financial information prepared by the Applicant and discussions with the Applicant's management. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information provided. Accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this report or relied upon in its preparation. Future oriented financial information reported or relied on in order to prepare this report is based on management's assumptions regarding future events; actual results will vary from forecast, and such variations may be material.

5. This report should be read in conjunction with the Affidavit of Shayne McCracken which has been filed by the Applicants' Counsel in support of this application.

6. All references to dollars are in Canadian currency unless otherwise noted.

MONITOR'S ACTIVITIES SINCE THE DATE OF THE INITIAL ORDER

7. Since the date of the Initial Order, the Monitor's activities have included the following:

   a) arranging for notice of the CCAA proceedings to be published in both the Edmonton Journal and the National Post as directed by the Court. This notice ran on July 12, 2016 in both publications as this was the earliest date that could be obtained given the timing of the Initial Order and publication cut-off deadlines stipulated by both newspapers;

   b) sending the required notice of the CCAA proceedings to the Group's creditors within 5 days of the Initial Order;

   c) establishing a website at *http://documentcentre.eycan.com/Default.aspx* under the "Canada North Group et al" link where all of the materials filed with the Court and all Orders made by the Court in connection with these CCAA proceedings are available/ being made available in electronic form;

   d) implementing procedures and timelines with the Group and the CRO for the monitoring of the Group's cash flows and for ongoing reporting of variances between actual results and the Group's cash flow projections;

e) reviewing and testing information in relation to the Group's actual cash flows and related disbursements, and further review of the Group's accounts receivable and the potential impact of these proceedings on the on-going accounts receivable balance;

f) extensively meeting with (by telephone or in person) management of the Group, the CRO, the Group's counsel and counsel to the Monitor to discuss ongoing operations, issues arising with creditors and customers, and the CCAA proceedings in general;

g) corresponding with numerous creditors and other stakeholders regarding the state of affairs and the CCAA proceedings in general;

h) discussing various ideas and potential options with the CRO and the Group with respect to a preliminary direction with respect to the draft of the Plan to be offered to the creditors in these CCAA proceedings; and

i) preparing this First Report.

CRO'S ACTIVITIES SINCE THE DATE OF THE INITIAL ORDER

8. The CRO was engaged by the Group on July 6, 2017, and representatives of the CRO commenced work immediately thereafter. Commencing July 10, 2017, the CRO has been on site at the Group's premises for a significant amount of time since being engaged. The CRO has advised the Monitor that its actions to date have included the following:

a) initiated daily management meetings with senior management of the Group to provide a forum to coordinate restructuring efforts and help to ensure timely communication among the management team and the CRO;

b) commenced the process of reviewing and understanding the Group's structure, assets and liabilities including the various secured lenders and major equipment lessors;

c) assisting management with day to day challenges arising as a result of the CCAA filing;

d) initiating a new cash management procedure to ensure efficient control of cash and cash reporting that takes into account the requirements of the Monitor and the DIP lender;

e) undertaken a detailed review and update of the 13-week cash flow projections previously filed with the Court;

f) engaged in introductory meetings or calls with various parties who have expressed an interest in participating in a restructuring through refinancing, purchasing assets or investing in the Group;

g) initiated a review of the Company's financial reporting to understand the debt level that could be supported by operations post-restructuring;

h) commenced a review of the various turnaround and profit enhancement programs management had implemented prior to the CCAA;

i) engaged in discussions and meetings with the Monitor to co-ordinate its involvement and oversight, as required under the Initial Order. In addition, the CRO and Monitor have agreed on a plan to avoid duplication of efforts and use Edmonton-based resources wherever feasible, in order to assist the CRO in an effort to reduce professional costs;

j) initiated the development of a detailed analysis of the Group's material assets and related liabilities for all individual entities within the Group that would help to inform a comprehensive balance sheet restructuring plan;

k) commenced a review of several potential real estate sales that were initiated by the Group prior to the date of the CCAA Order in an effort to determine if completing such transactions are beneficial to the future viability of the Group and in line with the CCAA process and objectives; and,

l) worked with management and the Interim Lender on implementation of the credit facility approved under the Initial Order as well as the working capital support for the recent upturn in work/revenue as a result of the B.C. wildfires.

CONDUCT OF THE APPLICANT SINCE THE DATE OF THE INITIAL ORDER

9. The CRO has been working extensively with the Group since being engaged in these CCAA proceedings and has advised the Monitor that the Group's management and staff have been making significant efforts in all respects and are cooperating fully with the efforts of the CRO.

10. In addition to the above, the Monitor has also worked quite extensively with management of the Group, and as a result, is of the opinion that the Applicants have acted in good faith and with due diligence in connection with its continued operations and the CCAA proceedings since the date of the Initial Order. Nothing has come to the attention of the Monitor to suggest that the Applicants are not diligently working towards filing a Plan to restructure its affairs within these proceedings.

11. The Monitor has been advised that the CRO and the Applicants continue to pursue preliminary discussions with numerous different parties for sources of new financing, new equity and/or capital injections, and has advised the Monitor that several parties are keen to move forward with their various discussions in this regard.

12. The Group has advised that all employee wages and related source deductions have been paid as required, and in addition, all required payments and filings on account of GST have also been made as required.

13. The Monitor has been monitoring the cash receipts and disbursements made by the Group, and based on its review, is not aware of any material transactions that would be considered outside the normal operations of the business.

CHANGES AND DEVELOPMENTS PERTAINING TO THE GROUP'S WEEKLY CASH FLOW PROJECTIONS

Actual Results Versus Projections

14. Attached as Schedule "A" to this report is an analysis prepared by the Group with the assistance of the CRO comparing the projected weekly cash flows (from the "Revised Projections" filed by the Monitor with its Proposed Monitor's Report) to actuals for the weeks ended July 8, 2017 and July 15, 2017.

15. As outlined in Schedule "A", in aggregate, the Group's actual ending cash balance for the period noted above is higher than projected by $403,331. The Group's management

sites several reasons for these variances, the more significant of which are outlined in the paragraphs which follow.

Cash Collections

16. In aggregate, total cash collections were higher than projected by $349,443. The largest reason for this variance relates to "Collections - catering A/R", in that this line item is higher by $290,077 on account of a number of factors including:

a) as noted in the Proposed Monitor's Report, the Group's management indicated that it took a conservative approach with respect to projected cash collections outlined in the Revised Projections. Several accounts receivable were received earlier than anticipated (one such example includes the receipt of approximately $79,000 from the B.C. Wildfire work earlier than expected, in addition to a number of other smaller amounts); and,

b) the receipt of approximately $157,000 on account of the Big Stone Tansi receivable which was not included as a cash collection in the Revised Projections.

17. Other cash collection variances related again to receipts which were received earlier than projected from construction (Campcorp) receivables of $17,615 and the recovery of an insurance over payment in the amount of $33,526 that was in the process of being recovered at the time the Revised Projections were being prepared, but the recovery of and timing of this recovery were uncertain.

Cash Disbursements

18. In aggregate, cash disbursements from operations (without considering the additional fire camp costs and revenue, discussed next) for the period were lower than projected by $160,851. There are a few significant reasons for this variance, which include the following:

a) Source Deductions for the Group were not yet paid as at July 15, 2017, and as per the projection totalled $74,083. In the end, this is simply a timing difference. The Monitor discussed this matter with the Group on July 19, 2017, and advises that there was a misunderstanding which arose as a result of the interpretation of the wording in the Initial Order with respect to the payment of the source deductions by the Group for pre-filing amounts. After a discussion with the Monitor in this regard, the amounts owing were paid as required on July 19, 2017 (which falls outside the period of review and will be an increase in cash outflows for the week ended July 22, 2017)

b) Actual costs in relation to the Group's construction projects were $57,427 lower than projected. At the time the Revised Projections were prepared, the Group's management was not able to consult with its construction team to confirm it had captured the allocation of the costs in relation to its on-going projects in accordance with the construction schedules of the projects. As such, a timing difference in this regard has occurred.

c) The Group has not been required to deposit $50,000 with its credit card provider to continue to use its cards post-filing. The Group believes this is simply a timing difference as the amount is reflected in the New Projections (the New Projections will be defined and discussed later in this report). The Monitor understands that the credit cards are paid as charges are incurred and, as such, the credit card issuer was not listed by the Group as a creditor as at the date of the NOI or CCAA proceedings as no amounts were due and owing. As a result, the credit card provider was not directly notified by the Monitor of the CCAA proceedings.

d) A number of utility and property tax expenses were significantly lower than projected, which appears to be a timing issue.

e) Only $38,257 of the "Contingency" amount was used resulting in a cash savings of $30,186 as compared to the Revised Projections.

f) The above cash savings variances were partially offset by a few expenses that were not known at the time of the Revised Projections. These expenses include a payment to WCB in the amount of $25,000 and professional fees paid primarily on account of the CRO as per the CRO's Court-approved engagement letter with the Group.

Interim Financing ("DIP")

19. As at July 15, 2017, the actual amount of DIP financing requested and received by the Group from the Interim Lender was in the amount of $450,000.00 and in line with the Revised Projections.

Other Comments

20. Since the filing of the NOI proceedings, the Group has been called upon under a contract with the Province of British Columbia ("BC") to house the firefighters currently working to fight the wildfires in BC. This will have a significant positive impact on future cash inflows and receivables; however, in the short term a significant cash outflow will be required for labour and supplies to fund the working capital related to this contract. For the two week period ended July 15, 2017, the Group incurred $150,123 of expenditures in relation to the BC fire camps that were not anticipated at the time the Revised Projections were prepared. At present, this presents a significant unexpected cash outflow to the Group, but significant cash inflows should result in the near future as a result. The Group expects to receive funds from the BC Government within 30 days of each invoice.

21. As noted in the Proposed Monitor's Report, given that projections are based on future related assumptions, the results will vary from projected and the variations could be material. The Monitor believes that the Group is mindful of the implications of the cash flow results and is working diligently to maintain and build its business. Further, the Monitor believes that the primary reasons for the variances noted above are reasonable in the circumstances.

Expected Changes in Future Week's Projections

22. Attached to this report as Schedule "B" is a set of cash flow projections (the "**New Projections**") as prepared by the Group with the assistance of the CRO. As will be evident from a review of Schedule "B" only a condensed version of the New Projection is being filed with the Court on account of the Group's and the CRO's concerns with respect to the possibility of sensitive operational details being shared with the Group's competitors or otherwise. The Group has advised the Monitor that it is comfortable releasing more detailed versions of the New Projections to legitimate stakeholders for legitimate purposes in relation to these CCAA proceedings, provided some form of confidentiality undertaking is agreed to between the Group and the requesting party.

23. In discussions with the Group and the CRO, the Monitor has been advised that a number of significant changes/developments have occurred since the commencement of these CCAA proceedings that, in the view of the Group and the CRO, necessitated the creation of the New Projections. Examples of these changes/developments include the following:

a) the addition of the BC Fire Camp revenues and expenses that were not known to the Group or the Monitor at the time of the Revised Projections;

b) an anticipated increase in the amount of professional fees associated with the CCAA proceedings based on work required to date, and anticipated future work required;

c) an anticipated need for an increase to the amount of interim financing permitted in the Initial Order primarily required to fund increased working capital requirements associated with the BC Fire Camps; and,

d) to illustrate to the Court and other stakeholders the anticipated cash position of the Group further into the future, in conjunction with the Group's request for an extension of the Stay.

24. The New Projections were first presented and reviewed with the Monitor on the afternoon of July 19, 2017, and given the timing of this report the Monitor has not been able to thoroughly review or test the New Projections with the Group or the CRO; however, the Monitor can advise that from its preliminary review and work on the New Projections, it is of the initial view that the Group, with the assistance of the CRO, has made a reasonable effort to prepare the New Projections accurately. Similar to the Revised Projections filed with the Proposed Monitor's Report, the Group's management has indicated that the New Projections are likely conservative.

25. Provided the Group achieves figures in the New Projections, the following notable points are presented for consideration by the Court and the Group's stakeholders by the Monitor at this time:

a) Total cash collections will be $6,792,634 over the New Projection Period. If the actual collections for the weeks ended July 8 and July 15th are added to this figure, the total actual and projected cash collections will be $7,349,810 from the commencement of the CCAA proceedings. This is an increase of $3,192,157 over the Revised Projections wherein the Group projected to collect a total of $4,157,653. This significant variance is the result of a number of factors, but primarily relates to the increase in revenues on account of the BC fire camp work, and the additional month of collections not included previously in the Revised Projections;

b) Total cash expenditures are projected to be $6,174,581 over the New Projection period. Similar to the above this significant increase is the result of a number of factors, but primarily relates to the increase in costs associated with the BC fire camp work, increased professional fees, and the additional month of payments required to maintain operations;

c) In order for the Group to operate in accordance with the New Projections, an increase in the interim financing permitted under the Initial Order will be required. As per Schedule B, the amount of interim financing required could be as high as $2.45 million in the week ended August 19, 2017, before seeing that same amount be reduced in subsequent weeks from projected repayments by the Group. The end balance of outstanding interim financing in the New Projections is $1.1 million lower than the amount reflected in the Revised Projections; however, the cash balance is also lower (discussed in the next two points that follow);

d) The negative cash position of CWB is slightly reduced in the New Projections in comparison to the Revised Projections from -$11,972,857 to -$11,930,565 or a difference of $42,292. The Monitor understands that this reduced amount reflects the most current position of CWB that was known to the Group and the CRO since the commencement of the CCAA proceedings;

e) The ending cash balance in the Group's other account changes from $934,109 in the Revised Projections to $312,546;

f) Professional fees are projected to be $956,686 in the New Projections which have increased on account of anticipated additional work required by all of the professionals involved in the CCAA proceedings as well as the additional month of time included in the New Projections; and,

g) Overall, the Group's ending position in the New Projection with respect only to the CWB indebtedness, cash in other bank accounts and the ending outstanding interim financing improves by $520,729 over the Revised Projections.

26. The Group was not able to provide the Monitor with a rolling schedule of aged accounts receivables or payables that they project would result in conjunction with the New Projection. As such, the Monitor cannot comment on the anticipated status or quantum of the Group's accounts receivables or payables as a result of the New Projections at this time. The Monitor advises that the Group has committed to adding this reporting to the

information the Monitor will receive on a weekly basis.

STATUS OF APPLICANTS' RESTRUCTURING EFFORTS AND THE RELATED PLAN

27. The Group's business and operations are very complex, and as at the date of this report it is simply too early in the process to provide any definitive view as to what a comprehensive restructuring plan might include. The CRO has indicated that further work is required to develop a more complete understanding of the operations and the various stakeholders as a precursor to the development of a comprehensive restructuring plan. However, based on the CRO's preliminary work to date and the co-operation of the management team, the CRO believes that there is certainly potential for a going concern plan that could provide significantly greater value to stakeholders as compared to a liquidation.

28. Notwithstanding the above comments, as noted earlier in this report the Monitor understands that the CRO has engaged in introductory meetings and/or calls with various parties who have expressed an interest in participating in the restructuring through refinancing, purchasing assets, investing in the Group, or a combination thereof. While very preliminary, these discussions do provide an initial indication of market interest in providing support for a restructuring plan;

29. In addition to the above, while more work is needed to gain comfort with the analysis and reporting, the CRO is of the initial view that several profit and gross margin improvements have been realized by the Group on account of changes to operations, staffing and other operational matters. The Monitor has not been able to review this information with the Group or the CRO as at the date of this report.

ADDITION OF 1919209 ALBERTA LTD. ("1919") AS AN APPLICANT TO THE CCAA PROCEEDINGS

30. The Monitor has recently been advised that the Applicants will be requesting of the Court that a related company, 1919 (owned 100% by Shayne McCracken), be added as an applicant in these proceedings.

31. The Monitor understands that 1919 has leased assets from Weslease Income Growth Fund L.P. ("**Weslease**"), which in turn, 1919 then leased to the Group and these assets are now used in the Group's operations. The Monitor has been advised that the total outstanding on the various lease agreements with Weslease is approximately $6 million.

32. The assets subject to the Weslease leases include:

a) 3 Jack and Jill Dorms;

b) 2 Power Distribution Centres; and,

c) 1 Waste Water Treatment Plant.

33. The Monitor further understands that a stay is required to prevent Weslease from acting on its rights with respect to the various leases and potentially disrupting the business of the Group.

34. The Monitor received the above noted information from the Group and its counsel, and has also reviewed the Second Affidavit of Shayne McCracken filed with the Court on July 20, 2017 and, based on this information and the Second Affidavit, the Monitor believes that the inclusion of 1919 as an Applicant is reasonable in the circumstances.

OTHER MATTERS RELEVANT TO THE CCAA PROCEEDINGS OR THE APPLICANTS' APPLICATION FOR AN EXTENSION OF THE STAY AT THIS TIME

The Treatment and Recording of Accounts Receivable

35. Over the course of these CCAA proceedings, the Monitor has reviewed or been advised of the Group's accounting practices with respect to its accounts receivable, and notes that some of the Group's historical practices in this regard, in the Monitor's opinion, are not typical.

36. There are four such areas worthy of note in this regard, and they are outlined below and will be discussed in further detail in the paragraphs that follow:

a) The inclusion of the Grand Rapids Pipeline Limited Partnership ("**Grand Rapids**") and the Heart Lake Canada North Group LP ("**HLCNG**") related receivables in CNC's aged accounts receivables totaling $7,489,273.01 (or $5,356,231 and $2,133,042.01 respectively);

b) The inclusion of customer "room guarantees" on camp reservations;

c) The inclusion of internally generated draft invoices at month end for the purpose of assisting management in matching revenues with expenses and/or to assist the Group with evaluating the performance of its various camps on a timely basis, all as part of an accrual for month-end closing; and,

d) The issuance of customer invoices which often changes the accounts receivable balances at any specific date.

Grand Rapids and HLCNG Receivables

37. The issue of the inclusion of the Grand Rapids and HLCNG accounts receivable in the Group's aged accounts receivable has been previously disclosed to the Court and various stakeholders, and was discussed at length at the initial application in these CCAA proceedings.

38. Management advises that there is a dispute as to the quantum of these accounts receivable and, for the purposes of this report, the Monitor notes that this remains an on-going issue that is being pursued.

39. For the purposes of the cash flow projections, and the Monitor's review and analysis of the collectible accounts receivable for the Group (discussed later in this report), these amounts have been removed in an effort to be as conservative as possible.

"Room Guarantees" on Camp Reservations

40. From a further review of the aged accounts receivable of the Group, the Group's management advised that a number of Room Guarantees were also included in the total accounts receivable balance reported by the Group.

41. The Group's management has explained to the Monitor that in several instances, a customer will request a large booking at a specific camp, or a new customer may call and request a booking, and in such instances, the Group may request a Room Guarantee payment from the customer. Such a request, in the opinion of the Monitor, is not unreasonable and is in line with other hospitality providers; however, in several instances, the payment of the Room Guarantee is not enforced and payment by the end customer is only made after actual services by the Group have been rendered. An example of this relates to well known, repeat customers of the Group, where a Room Guarantee is invoiced, but not enforced; however, if an unknown or infrequent customer requests a reservation in a high demand location, the Group's management advises that the Room Guarantee must be paid in order to hold the reservation.

42. In the view of the Monitor, the above practice differs from normal industry practice whereby a typical hospitality provider would require a credit card or some other form of deposit at the time of booking. However, the camp business differs in that most charges are invoiced to the employer and not paid by individual credit cards.

43. As a result of the NOI and CCAA proceedings, in several instances, the Group advised that its customers were reluctant to pay any room guarantee. After discussion with the Monitor, it was agreed that these Room Guarantee amounts be reversed out of Receivables. The Group has removed some of these deposits as at the date of this report, however others remain in accounts receivable at present, but are being adjusted out by the Monitor in its review of accounts receivable (discussed later in this report).

44. The Monitor calculates the total of the Room Guarantees in question (based on the information provided by the Group) to be $2,916,588.58. A further analysis of the accounts receivable will be discussed later in this report.

<u>Inclusion of Draft Invoices in Accounts Receivable</u>

45. In addition to the above two matters, the Monitor also understands that the Group includes a number of draft invoices ("Draft" or "Drafts") in its accounts receivable balance. The Monitor understands that the Group uses its invoicing system for the purpose of calculating month end accruals and that Drafts are created to reflect the accrual in an effort to match expenses with revenue. The end result is that the Drafts are posted to the Group's receivables at month end, but per the Group's Management, any such Drafts are reversed in due course after month-end when the weekly invoice is issued to the customer, and only the actual invoice tendered to the customer at a later date ultimately remains as a receivable until collected. Management has advised that there are no such Drafts included in the accounts receivable balances currently being reviewed by the Monitor, and has indicated that the Group will, with the assistance of the CRO, be reviewing and likely changing its practice in this regard in the post CCAA filing period and in due course.

<u>Dating of Invoices</u>

46. The Monitor discovered while conducting a review of accounts receivable (post CCAA), that the Group currently dates its weekly invoices to customers for services rendered on

the last day of the week in which the services were rendered, not on the actual date that the invoice is issued. The Monitor understands that this practice again arises out of the Group's desire to try and match revenues with the applicable expenses in the applicable time frame. This, however, creates an issue with respect to weekly reporting of the accounts receivable balances produced on any given date as the balances could change as a result of dating invoices to match the date the services is provided versus the date the invoice is issued.

47. In an effort to report on the status and quantum of the accounts receivable since the filing of these CCAA proceedings, the Monitor requested and received a listing of the aged accounts receivables as at July 8, 2017 from the Group on July 13, 2017. On July 19, 2017, when the Monitor requested the same analysis for the week ended July 15, 2017, the Monitor was provided with a revised aged accounts receivables listing as at July 8, 2017. The aggregate difference between the two July 8 receivables listings is $309,402.59.

48. This issue was discussed with the Group and the CRO, and the Group has advised that they have implemented new procedures to allow for improved reporting and to address this matter going forward. A detailed review and discussion of the accounts receivables as at both July 8, 2017 and July 15, 2017 follow in the next section of this report.

Impact of the CCAA proceedings on Accounts Receivable to July 15, 2017

49. Attached to this report as Schedule "C" is an initial analysis prepared by the Monitor outlining the change in the Group's accounts receivable from June 27, 2017 to July 8, 2017 based on an aged accounts receivable listing provided to the Monitor on July 13, 2017. As per Schedule "C", the analysis suggests that:

   a) The adjusted third party, collectible accounts receivable have increased by $180,207.09 and total $5,361,841.27; and,

   b) Related Party/Intercompany accounts receivable as determined based on a review of the Group's accounts receivables listing with the Group's management total $1,109,524.71, and are in addition to the third party receivables noted above.

50. As discussed previously in this report, upon attempting to conduct the same analysis for the week ended July 15, 2017, the Monitor was provided with a new aged accounts receivable listing for the week ended July 8, 2017 and the total amount of receivables for the Group had changed (increased) by $309,402.59 on account of the inclusion of work performed and invoiced on the date it was performed versus the date the invoice was issued (discussed earlier). This increase was attributed to an increase in the both the CNC and DJ accounts receivable in the amounts of $300,647.44 and $8,755.15 respectively.

51. Given the above, the Monitor prepared a revised analysis for the week ended July 8, 2017, and the results of this analysis are outlined in Schedule "D" attached. Based off of the figures outlined in this revised analysis, the Monitor advises that:

a) The adjusted third party, collectible accounts receivable have now increased from June 27, 2017 by $489,609.68 (which is $309,402.59 higher than the Monitor's first analysis in Schedule "C") and now total $5,475,865.91; and,

b) Related Party/Intercompany accounts receivable have increased by $195,377.95 to $1,304,902.66.

52. To close out this analysis, the Monitor prepared an analysis of the Group's aged accounts receivable as at July 15, 2017 to tie into the most recent projection versus actual performance analysis possible as at the date of this report. This analysis is attached as Schedule "E" to this report. Based off of the figures provided, it appears that:

a) The adjusted third party, collectible accounts receivable have now increased from June 27, 2017 by $469,840.45 (which is a slight drop ($19,769.23) from the revised July 8, 2017 balance as per Schedule "D") and total $5,403,244.83; and,

b) Related Party/Intercompany accounts receivable have increased to $1,357,754.51.

53. Despite the issues in relation to the accounts receivable noted in this report, the analysis conducted by the Monitor in relation to the Group's accounts receivable up to the week ended July 15, 2017 suggests that the collectible third party accounts receivable for the

Group have increased since the commencement of these CCAA proceedings.

Potential Sale of the Group's Head Office and Yard Properties

54. The Monitor understands that the Group is currently entertaining offers on both its Head Office property and its Yard.

55. For the Court's ease of reference, the Monitor provides a quick summary of some of the details of these two properties in the chart below:

Municipal Address	Legal Description	Owner	Mortgage / Date
14238 - 134 Avenue Edmonton, AB T5L 5V8 (Office Building)	Plan 902 1619 Block 13A Lot 8 Excepting Thereout All Mines and Minerals	1371047 Alberta Ltd.	082 516 418 (26/11/08) - Mortgage with Business Development Bank of Canada ($2,000,000.00) (amending agreement to increase to $3,440,000)
11210 Winterburn Road NW Edmonton, AB T5S 2B5 (Edmonton Yard)	Plan 862 2655 Block E Excepting Thereout All Mines and Minerals Area: 5.66 Hectares (13.99 Acres) more or less	1371047 Alberta Ltd.	112 394 192 (7/12/11) - Mortgage with 506221 Alberta Ltd. ($5,600,000.00) 162 322 778 (16/11/16) - Mortgage with Northland Mortgage & Investment Corporation ($750,000.00) 172 101 430 (27/4/17) - Mortgage with Canadian Western Bank ($4,000,000.00)

56. The Monitor understands that the CRO is reviewing the details of the pending offers/sale transactions of these properties with the Group and its counsel, and if a sale of one or both of these properties will be pursued, the Court's approval in this regard will be sought at a separate application in the future.

Interim Financing Matters

57. As noted previously in this report, up to the week ended July 15, 2017 the Group requested and received a total of $450,000 from Business Development Bank as the Interim Lender as provided for in the Initial Order. As discussed previously, the actual cash flow results of the Group for the two week period ended July 15, 2017 were favourable in comparison to the Revised Projections filed with the court, and the funding

received from the Interim Lender was in line with the Revised Projections.

58. On the morning of July 20, 2017, the Group with the assistance of the CRO requested and received thereafter an additional $450,000 of interim funding from the Interim Lender to continue to support on-going operations and these CCAA proceedings. With this July 20, 2017 advance, the total interim borrowings by the Group are now at $900,000 which is $300,000 higher than projected in the Revised Projections as at the end of the week of July 22, 2017. The Group and the CRO have advised that the bulk of this variance stems from the additional working capital requirements of the BC Fire Camps, and that if the BC Fire Camp costs were removed approximately $386,754 of costs (and hence borrowings) would have been avoided. If this is the case, the actual borrowings of the Group to date would be more in the area of $500,000, not $900,000 which would be $100,000 less than projected to the end of July 22, 2017. Given the date of this report and the fact that the projected versus actual analysis has not yet been completed, the Monitor has not been able to review the Group's comments in this regard; however, the CRO has provided some analysis in support of this claim and it is the preliminary view of the Monitor that the explanation outlined above is reasonable.

59. As discussed earlier in this report, given the recent and unanticipated expenses incurred/to be incurred in connection with the BC Fire Camps work, along with the other costs as reflected in the New Projections, the Group anticipates that an increase to the borrowing limit as per the Initial Order will be required. Further, it is anticipated that such a request will likely need to be made in due course given that there remains only $100,000 of borrowing room available room in the current interim financing limits stipulated in the Initial Order. Based on the New Projections included as Schedule "B" to this report, it appears that as much as $2,450,000 (with the highest level owing being in the week ended August 19, 2017) will be required in interim financing up to the period ended October 28, 2017. With this said, and again as noted earlier in the report, the New Projections also indicate that should the actual results of the Group meet the figures presented in the New Projections that the end balance with respect to the outstanding interim financing will be $800,000 which is a $1.1 million improvement over the amount originally anticipated in the Revised Projections.

THE MONITOR'S RECOMMENDATIONS IN RELATION TO THE EXTENSION OF THE INITIAL STAY, AND THE ADDITION OF 1919 TO THESE CCAA PROCEEDINGS AS REQUESTED BY THE APPLICANTS

60. The Applicants are seeking an extension of the stay up to and including November 3, 2017. The Monitor believes that the Applicant will require at least this amount of time to resolve some of the outstanding issues noted in this report, investigate and pursue new equity or financing options, and finalize a Plan. Based on the Monitor's actions and knowledge to date, there is no indication that any creditor will be materially prejudiced by this further extension.

61. In addition to the above, as discussed earlier in this report, it is the Monitor's view that the Group continues to act in good faith and with due diligence with respect to these CCAA proceedings.

62. Given the above, the Monitor is of the view that the stay extension requested by the Applicants is reasonable in the circumstances to allow it additional time to develop a viable Plan.

63. Further, in the Monitor's view, the addition of 1919 as an Applicant to these CCAA proceedings is reasonable and appropriate in the circumstances.

Dated at Edmonton, this 24th day of July, 2017

Ernst & Young Inc.
In its capacity as Monitor of
Canada North Group Inc.;
Canada North Camps Inc.;
CampCorp Structures Ltd.;
D.J. Catering Ltd.;
816956 Alberta Ltd.; and,
1371047 Alberta Ltd.
and not in its personal or corporate capacity

Per:

Matt McCulloch, CA, CPA, CIRP, Licensed Insolvency Trustee
Senior Vice-President

SCHEDULE A

Schedule A

Canada North Group Inc. et al - CCAA

Cash Flow Projections Versus Actual Results (all figures in CAD $)

For the Weeks Ended July 8th and 15th, 2017

		Projected Week Ended July 8	Actual Week Ended July 8	Variance Week Ended July 8	Projected Week Ended July 15	Actual Week Ended July 15	Variance Week Ended July 15	Projected 2 Wks Ended July 15	Actual 2 Wks Ended July 15	Variance 2 Wks Ended July 15
Opening Cash Position: CWB		(11,972,857)	(11,972,857)	-	(11,972,857)	(11,919,420)	53,437	(11,972,857)	(11,972,857)	-
Opening Cash Position: Other		127,534	127,534	-	14,006	187,848	173,842	127,534	127,534	-
Adjustment to opening position		-	43,159	43,159	-	-	-	-	43,159	43,159
Opening Cash position	A	(11,845,323)	(11,802,164)	43,159	(11,958,851)	(11,731,572)	227,279	(11,845,323)	(11,802,164)	43,159
Collections - catering A/R		31,392	206,751	175,359	176,341	291,059	114,718	207,733	497,810	290,077
Collections - catering forecast		-	6,731	6,731	-	1,493	1,493	-	8,225	8,225
Collections - construction		-	11,466	11,466	-	6,149	6,149	-	17,615	17,615
Collections - other		-	-	11,466	-	33,526	33,526	-	33,526	33,526
Total Cash Receipts	B	31,392	224,948	193,556	176,341	332,228	155,887	207,733	557,176	349,443
Total Cash Outflows	C	379,670	134,532	(245,138)	373,195	457,481	84,287	752,865	592,013	(160,851)
NET INCREASE (DECREASE) IN CASH FROM OPERATIONS:	D=B-C	(348,278)	90,416	438,694	(196,854)	(125,253)	71,600	(545,132)	(34,838)	510,294
DIP processing fee	E	(15,000)	-	15,000	-	(15,000)	(15,000)	(15,000)	(15,000)	-
DIP monthly administration fee	F	(250)	-	250	-	(250)	(250)	(250)	(250)	-
DIP monthly interest @ 9% per annum	G	-	-	-	-	-	-	-	-	-
Funding Received:	H	250,000	-	(250,000)	200,000	450,000	250,000	450,000	450,000	-
Cash Position Before Fire Camps	I=A+D+sum(E-H)	(11,958,852)	(11,711,748)	247,103	(11,955,705)	(11,422,075)	533,629	(11,955,705)	(11,402,252)	553,453
Fire Camps:										
Cash receipts		-	-	-	-	-	-	-	-	-
Food		-	(6,189)	(6,189)	-	(113,305)	(113,305)	-	(119,494)	(119,494)
Labour		-	(12,292)	(12,292)	-	-	-	-	(12,292)	(12,292)
Other		-	(1,342)	(1,342)	-	(16,995)	(16,995)	-	(18,337)	(18,337)
Fire Camps (net)	J	-	(19,823)	(19,823)	-	(130,299)	(130,299)	-	(150,123)	(150,123)
Closing Cash Position	K=I+J	(11,958,852)	(11,731,572)	227,280	(11,955,705)	(11,552,375)	403,330	(11,955,705)	(11,552,374)	403,331

SCHEDULE B

REVISED Statement of Projected Cash-Flow - Canada North Group Inc.
For the 15 Weeks Ended July 9, 2017 to October 28, 2017

Weeks Ending		Week Ended Jul 22	Week Ended Jul 29	Week Ended Aug 5	Week Ended Aug 12	Week Ended Aug 19	Week Ended Aug 26	Week Ended Sep 2	Week Ended Sep 9	Week Ended Sep 16	Week Ended Sep 23	Week Ended Sep 30	Week Ended Oct 7	Week Ended Oct 14	Week Ended Oct 21	Week Ended Oct 28	15 Week Total
		($)	($)	($)	($)	($)	($)	($)	($)	($)	($)	($)	($)	($)	($)	($)	($)
Opening Cash Position	A	(11,552,374)	(11,785,510)	(11,729,572)	(11,791,663)	(11,806,101)	(11,663,464)	(11,603,162)	(11,653,473)	(11,663,999)	(11,621,368)	(11,658,706)	(11,573,069)	(11,679,259)	(11,616,422)	(11,637,466)	(11,552,374)
Cash receipts	B	42,325	52,868	119,052	391,067	405,962	785,805	511,698	544,289	816,468	638,498	661,451	427,436	368,421	494,161	533,121	6,792,634
Costs	C	450,461	596,930	765,376	535,505	333,325	383,003	458,456	349,815	198,837	438,336	374,910	478,625	230,584	327,705	252,713	6,174,581
Professional fees	D	75,000	50,000	162,685	120,000	30,000	30,000	88,000	55,000	25,000	25,000	88,000	55,000	25,000	25,000	103,000	956,686
DIP funding advanced (repaid) net of fees and interest	E	250,000	650,000	746,919	250,000	100,000	(312,500)	(15,554)	(150,000)	(550,000)	(212,500)	(112,915)	-	(50,000)	(162,500)	(157,962)	272,988
Closing Cash Position	F=A+B-C-D+E	(11,785,510)	(11,729,572)	(11,791,663)	(11,806,101)	(11,663,464)	(11,603,162)	(11,653,473)	(11,663,999)	(11,621,368)	(11,658,706)	(11,573,069)	(11,679,259)	(11,616,422)	(11,637,466)	(11,618,019)	(11,618,019)

DIP Loan Rollforward:

DIP Loan - Opening	450,000	700,000	1,350,000	2,100,000	2,350,000	2,450,000	2,150,000	2,150,000	2,000,000	1,450,000	1,250,000	1,150,000	1,150,000	1,100,000	950,000
Advances (repayments)	250,000	650,000	750,000	250,000	100,000	(300,000)	-	(150,000)	(550,000)	(200,000)	(100,000)	-	(50,000)	(150,000)	(150,000)
DIP Loan - Closing	700,000	1,350,000	2,100,000	2,350,000	2,450,000	2,150,000	2,150,000	2,000,000	1,450,000	1,250,000	1,150,000	1,150,000	1,100,000	950,000	800,000

Produced with information supplied by the Company. R.e.l. group inc. has not audited, reviewed or otherwise verified this information.

SCHEDULE C

REDACTED

SCHEDULE C

A/R Analysis as at July 8, 2017 (Version 1)

	Canada North Camps Inc.	D.J. Catering Ltd.	Campcorp Structures	Totals
Opening A/R Balance at June 27, 2017	12,169,611.02	1,497,799.55	3,433,078.71	17,100,489.28
Less Room Guarantees Removed from A/R by the Group:				
[redacted]				
Total Room Guarantees Removed from A/R by the Group	325,271.65	868,764.20	0.00	1,194,035.85
Closing Adjusted A/R Balance at June 27, 2017	11,844,339.37	629,035.35	3,433,078.71	15,906,453.43
Less Items Still Included in A/R:				
Room Guarantees	1,722,552.73			
Alstar Construction Room Guarantee	42,481.40			
Grande Rapids Pipeline LP/HLCNG LP	7,440,462.00			
Doubtful Account	409,798.41			
Total Items Still Included in A/R	9,615,294.54	0.00	0.00	9,615,294.54
Less: Related Party Receivables	1,043,557.00		65,967.71	1,109,524.71
Adjusted Collectible A/R at June 27, 2017	1,185,487.83	629,035.35	3,367,111.00	5,181,634.18
Closing A/R Balance at July 8, 2017	11,832,216.26	821,636.12	3,432,808.14	16,086,660.52
Less: Items Still Included in A/R	9,615,294.54	0.00	0.00	9,615,294.54
Less: Related Party Receivables	1,043,557.00		65,967.71	1,109,524.71
Adjusted Collectible A/R at July 8, 2017	1,173,364.72	821,636.12	3,366,840.43	5,361,841.27
Net Increase/(Decrease) in A/R	-12,123.11	192,600.77	-270.57	180,207.09

SCHEDULE D

REDACTED

SCHEDULE C

A/R Analysis as at July 8, 2017 (Version 1)

	Canada North Camps Inc.	D.J. Catering Ltd.	Campcorp Structures	Totals
Opening A/R Balance at June 27, 2017	12,169,611.02	1,497,799.55	3,433,078.71	17,100,489.28
Less Room Guarantees Removed from A/R by the Group:				
[redacted]				
Total Room Guarantees Removed from A/R by the Group	325,271.65	868,764.20	0.00	1,194,035.85
Closing Adjusted A/R Balance at June 27, 2017	11,844,339.37	629,035.35	3,433,078.71	15,906,453.43
Less Items Still Included in A/R:				
Room Guarantees	1,722,552.73			
Alstar Construction Room Guarantee	42,481.40			
Grande Rapids Pipeline LP/HLCNG LP	7,440,462.00			
Doubtful Account	409,798.41			
Total Items Still Included in A/R	9,615,294.54	0.00	0.00	9,615,294.54
Less: Related Party Receivables	1,043,557.00		65,967.71	1,109,524.71
Adjusted Collectible A/R at June 27, 2017	1,185,487.83	629,035.35	3,367,111.00	5,181,634.18
Closing A/R Balance at July 8, 2017	11,832,216.26	821,636.12	3,432,808.14	16,086,660.52
Less: Items Still Included in A/R	9,615,294.54	0.00	0.00	9,615,294.54
Less: Related Party Receivables	1,043,557.00		65,967.71	1,109,524.71
Adjusted Collectible A/R at July 8, 2017	1,173,364.72	821,636.12	3,366,840.43	5,361,841.27
Net Increase/(Decrease) in A/R	-12,123.11	192,600.77	-270.57	180,207.09

<u>SCHEDULE E</u>

REDACTED

SCHEDULE E

A/R Analysis as at July 15, 2017

	Canada North Camps Inc.	D.J. Catering Ltd.	Campcorp Structures	Totals
Opening A/R Balance at June 27, 2017	12,169,611.02	1,497,799.55	3,433,078.71	17,100,489.28
Less Room Guarantees Removed from A/R by the Group:				
[redacted]				
Total Room Guarantees Removed from A/R by the Group	325,271.65	868,764.20	0.00	1,194,035.85
Closing Adjusted A/R Balance at June 27, 2017	11,844,339.37	629,035.35	3,433,078.71	15,906,453.43
Less Items Still Included in A/R:				
Room Guarantees	1,722,552.73			
Alstar Construction Room Guarantee	42,481.40			
Grande Rapids Pipeline LP/HLCNG LP	7,440,462.00			
Doubtful Account	409,798.41			
Total Items Still Included in A/R	9,615,294.54	0.00	0.00	9,615,294.54
Less: Related Party Receivables	1,291,786.80		65,967.71	1,357,754.51
Adjusted Collectible A/R at June 27, 2017	937,258.03	629,035.35	3,367,111.00	4,933,404.38
Closing A/R Balance at July 15, 2017	12,128,206.54	821,428.32	3,426,659.02	16,376,293.88
Less: Items Still Included in A/R	9,615,294.54			9,615,294.54
Less: Related Party Receivables	1,291,786.80		65,967.71	1,357,754.51
Adjusted Collectible A/R at July 15, 2017	1,221,125.20	821,428.32	3,360,691.31	5,403,244.83
Net Increase/(Decrease) in A/R	283,867.17	192,392.97	-6,419.69	469,840.45