Clerk's Stamp

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., 1371047 ALBERTA LTD., AND 1919209 ALBERTA LTD.
DOCUMENT	**MONITOR'S SEVENTH REPORT** **January 25, 2018**
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. Bieganek, QC Phone: 780-441-4386 Fax: 780-428-9683 Email: dbieganek@dcllp.com

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SCHEDULES

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. On July 27, 2017, the Applicants made an application before this Honourable Court for the following relief:

   a) an extension of the Stay under the Initial Order;

   b) to include an additional entity, 1919209 Alberta Ltd. ("**1919**"), as an applicant to these CCAA proceedings; and,

   c) an increase to the interim financing ("**DIP**") from $1 million as stipulated in the Initial Order to $2.5 million primarily to fund operations and the unexpected revenue (and associated costs) associated with housing the relief effort and firefighters in relation to the wildfires in British Columbia ("**BC**").

   At the application on July 27, 2017, the Court granted an extension of the Stay to September 29, 2017 along with the other relief requested by the Applicants as outlined above.

4. On September 26, 2017, the Applicants made an application before this Honourable Court to request relief in relation to a number of matters, including the following significant items:

a) A further extension of the Stay up to and including January 31, 2018;

b) Authorization for the Applicants to carry out an investment and sales solicitation process ("**ISSP**") substantially in accordance with the outline and indicative timeline as described in the CRO's First Report;

c) Authorization to engage Peters & Co. Limited ("**Peters**") to act as the solicitation agent for the Applicants in relation to carrying out the ISSP;

d) Authorization to sell the Applicants' head office premises owned by 137, located in Edmonton, Alberta;

e) Authorization to enter into a Sub-Lease and Interim Sub-Lease Agreement with respect to a new head office; and,

f) Direction by the Court for ECN Financial Inc. ("**ECN**") to return $12,890.13 of funds debited by ECN on July 1, 2017 and July 10, 2017 to CNC.

At the application on September 26, 2017, the Court granted an extension of the Stay up to and including January 31, 2018, along with the other relief requested by the Applicants.

5. On October 4, 2017, the Applicants applied to Court to discharge the CRO and seek authorization to transition aspects of that role to the Monitor and to obtain the Court's approval of an extension and amendment of the DIP terms. At the application on October 4, 2017, the Court granted the requests of the Applicants.

6. On December 6, 2017, the Applicants applied to Court for an Order to approve a process to call for claims from the Companies' creditors and review those claims subsequently received from creditors (the "**Claims Process Order**"). The Applicants' requested Claims Process Order was granted by the Court.

7. The Monitor's Fifth Report supporting the Applicants' application for the Claims Process Order also addressed a material adverse change in the Applicants' cash flow and cash position as identified by the Monitor. The change in the Applicants' cash flow and cash position, as well as an identified need for additional cash to support the Applicants' growing demand for services, led the Applicants to request an increase in the DIP financing provided by Business Development Bank of Canada ("**BDC**") a further $1,000,000 (the "**Incremental DIP Financing**").

8. On December 8, 2017, the Monitor filed its Sixth Report supporting the Applicants' request for the Incremental DIP Financing. The Sixth Report generally included the following:

a) an updated cash flow projection prepared by the Applicants for the period from December 2, 2017 to May 26, 2018 (the "**December 2 Projections**"), that reflected recent developments and forecast activity levels during this period;

b) an update on both the ISSP as well as the status of on-going discussions with a potential investor (the "**Restructuring Investor**"), such discussions and pertinent details were disclosed to the Court in various materials previously provided by the Monitor and/or the Applicants; and,

c) brief comments on a meeting with the Applicants' senior secured lender: Canadian Western Bank ("**CWB**").

9. On or about December 11, 2017, BDC issued an amendment to their DIP terms respecting the Incremental DIP Financing. The increase was structured such that advances were to be authorized in two tranches of $500,000.00 each. On December 12, 2017, the Applicants' request for approval of the Incremental DIP Financing on the terms and conditions provided by BDC was granted by the Court. The first tranche of $500,000 was advanced shortly thereafter.

10. The second tranche of $500,000.00 ("**Tranche 2**") is subject to certain conditions which have to be met in a manner satisfactory to BDC in its sole discretion, among them:

a) The provision to BDC of an updated comprehensive work plan to successfully complete the restructuring of the Applicants;

b) The Applicants having received a binding commitment letter from the Restructuring Investor (as discussed in previous reports); and,

c) The Applicants having obtained a Court Order authorizing the advance of Tranche 2.

11. This report (the "**Monitor's Seventh Report**") is provided to the Court in support of the Applicants' request for:

i. An extension of the Stay up to and including March 2, 2018 (as the stay is presently set to expire on January 31, 2018); and,

ii. Authorization to draw Tranche 2 from the Incremental DIP Financing approved by the Court on December 12, 2017.

12. The Monitor has included herein comments on the following matters:

a) The Applicants' compliance with the key conditions set out in the Incremental DIP Financing approved on December 12, 2017 and the Applicants' qualification for access to Tranche 2;

b) A status update regarding the progress made by the Applicants, with the assistance of the Monitor, toward identifying financing sources and securing term sheets from potential lenders to address the Applicants' projected financing requirements to exit the CCAA proceedings;

c) Other initiatives being pursued by the Applicants in furtherance of this restructuring;

d) The status of the Claims Process undertaken by the Applicants in furtherance of the CCAA process; and

e) The Applicants' recent financial results and revisions required to be made to the December 2 Projections as a result of these results and the need for Tranche 2.

DISCLAIMER

13. In preparing the Monitor's Seventh Report, the Monitor has relied upon unaudited financial information of the Applicants, the Applicants' books and records, certain financial information prepared by the Applicants and discussions with the Applicants' management ("**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.

14. This report should be read in conjunction with previously filed affidavits, reports and Court Orders previously issued and filed in these proceedings all of which, save for items directed to be sealed for confidentiality purposes, are available on the Monitor's website established for these proceedings. In addition, this report should be read in conjunction with the new materials filed with the Court by the Applicants in connection with the application set for January 29, 2018.

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

PROGRESS ON RESTRUCTURING

Receipt of Binding LOI / Access to Tranche 2 of the DIP

16. As noted earlier in this report, the Incremental DIP Financing approved by the Court was to be made available to the Applicants in 2 tranches each of $500,000, provided certain conditions were met. The Applicants fulfilled the conditions necessary to access the first tranche with the funds advanced in December 2017.

17. With respect to Tranche 2, also as noted earlier in this report, there are Conditions Precedent and Underlying Conditions that must be satisfied by the Applicants before they are entitled to request an advance of some or all of Tranche 2. For the Court's ease of reference, the main provisions with respect to accessing Tranche 2 are reiterated below:

    a) The provision to BDC of an updated comprehensive work plan to successfully complete the restructuring of the Applicants;

    b) The Applicants having received a binding commitment letter from the Restructuring Investor including a substantial cash deposit to be applied to close the transaction; and,

    c) The Applicants having obtained a Court Order authorizing the advance of Tranche 2.

    It is also a condition of Tranche 2 that the Applicants not be in default under the terms and conditions of the existing DIP arrangements unless such defaults are waived by BDC.

18. As of January 19, 2018, the Applicants delivered the binding commitment letter from the Restructuring Investor to BDC and provided the updated comprehensive work plan as required.

19. Definitive documentation for the transaction with the Restructuring Investor is still to be completed, and the transaction is subject to, among other things:

    a) the approval by the Court; and,

    b) a Plan of Arrangement being accepted by the creditors of the Applicants and approved by the Court.

20. The Restructuring Investor has placed a substantial cash deposit in trust with corporate counsel for the Applicants.

21. In response to a request by the Applicants to draw upon Tranche 2 of the Incremental DIP Financing, on January 23, 2017 BDC advised the Applicants as follows:

a) The Applicants had committed the following events of default pursuant to the Incremental DIP Financing Agreement:

i. failing to deliver binding and definitive documentation in relation to the Restructuring Investor and the potential plan;

ii. failing to comply with the cash flow covenants in relation to the total receipts for the applicable rolling four week periods; and,

iii. not delivering reporting to BDC on the appropriate date.

b) As the definitive documentation for the transaction with the Restructuring Investor is still being drafted, the Applicants had not satisfied condition precedent (b) to the Interim Financing Agreement in relation to Tranche 2. and,

c) Provided that the Applicants obtain an extension of the stay of proceedings for a period of at least one month, BDC is willing to waive the above-referenced defaults and advance Tranche 2, provided that such waiver is documented to the satisfaction of BDC, in its sole discretion, and prior to such advance being made.

22. The specific provisions of the binding commitment letter with the Restructuring Investor (the "**LOI**") are described in detail in the Confidential Supplement to the Ninth Affidavit of Shayne McCracken dated January 22, 2018. The Monitor has not replicated those comments in this report, other than to note that the overall terms and structure of the LOI are conducive to the development of a Plan of Arrangement in keeping with the preliminary discussions held between the Applicants and key stakeholders (including CWB).

<u>Discussions with Potential New Lenders</u>

23. The Applicants, with the assistance of the Monitor, continue to canvas the market for sources of operating and term funding to complement the funding from the transaction with the Restructuring Investor, all in support the Plan of Arrangement and the operations of the Applicants once they emerge from the CCAA protection.

24. To date, Confidentiality Agreements ("**CAs**") have been signed by 17 out of the 29 parties initially contacted. Ten of the parties who executed CAs are in the process of completing their diligence. Discussions to date have indicated that there are a number of different financing scenarios possible that will provide the Applicants with the funding necessary to meet the objectives noted above.

25. Given the number of parties considering this funding opportunity, their varying preferences for the amount they are prepared to lend and the transaction structure, it is anticipated that it will be at least 2 weeks before the leading transaction(s) will be selected and documented.

26. Discussions with one of the proposed lenders have advanced rapidly over the last few days and the Monitor has been advised that a term sheet outlining the potential lender's proposed financing amount and terms should be available on January 25 or 26.

Other Transactions Under Consideration

27. The Applicants are in discussions with a party who has developed a proprietary technology and has existing operations that are complementary to the Applicants' construction business. These discussions are at a preliminary stage; however, the Applicants believe that there is the possibility that a joint venture type relationship could be developed.

28. The Monitor has been advised that there are several key issues currently being discussed in this regard. Progress on these discussions must consider the ongoing discussions with the potential funders as it is likely that the terms and structure of any financing will need to be coordinated with business and assets to be included in this arrangement.

PRELIMINARY RESULTS OF THE CLAIMS PROCESS

29. The deadline for creditors to submit Proofs of Claim was 5:00 p.m. Edmonton time on January 19, 2018. By the deadline, 141 creditors had submitted claims. Many parties have submitted claims to the Monitor in respect of claims against entities that may be related to, or affiliated with, the Applicants but are not claims directly against any of the Applicants. The Applicants and the Monitor have initiated a review of these claims, and anticipates that there will be a good number of disallowances and partial disallowances issued. The Monitor will report on the results of this review and the disallowances issued in a subsequent report.

FINANCIAL PERFORMANCE AGAINST THE DECEMBER 2 PROJECTIONS

30. For the seven weeks ended January 13, 2018, the Applicants ending cash position is $145,000 above the balance projected in the December 2 Projections (after adjusting the variance between the projected versus actual results to remove the impact of receiving the first tranche of $500,000 from the Incremental DIP Financing which was not provided for in the December 2 Projections as it had not yet been approved by the Court, or advanced to the Applicants at the time the projections were prepared).

31. Cumulative cash receipts for the seven weeks to January 13, 2018 totalled approximately $1.98 million. This is approximately $400,000 behind plan; however, $319,000 of this shortfall relates to construction activities where disbursements were also well below plan (see below).

32. Cash collections were well ahead of plan for the early weeks in the December 2 Projections, then fell behind in subsequent weeks. As a result of collections falling behind plan in later weeks, the Applicants breached the rolling 4 week cash receipts covenant in the Incremental DIP Financing for the weeks ended December 30, 2017, January 6, 2018 and January 13, 2018. The Monitor understands that BDC requires that the Applicants execute an acknowledgement of the default.

33. The shortfall in cash receipts was offset by disbursements also being less than projected by $498,000. The two key components of the reduced disbursements were related to construction ($182,000) and professional fees ($277,000). The reduced disbursements for construction are due to customer delays pushing back the project schedule. Professional fee invoices have been slower to arrive than anticipated. The positive variance regarding professional fees is expected to reverse over the next 2 to 3 weeks and the disbursements are provided for in a revised projection (discussed later in this report).

34. For the seven weeks ended January 13, 2018, the Monitor was advised by the Applicants that revenue was below the December 2 Projections by approximately $1.0 million for the following reasons:

a) Installation of several new dorms at one of the camps fell behind schedule due to delays in finalizing lease terms with the supplier and extremely cold weather for a period of time;

b) At another camp, a dorm was closed for repairs; these repairs took longer to complete than anticipated resulting in a delay in the re-opening of the dorm;

c) Certain customers pushed back start dates for projects (and correspondingly the dates when their staff would be arriving at certain camps);

d) Certain large customers pulled their staff from their projects (and hence the camps) 1 week earlier than expected before the Christmas holidays; and,

e) One lucrative contract was lost as there were not sufficient beds at the specified camp to house all employees of the customer (customers generally require 100% of their crew to be resident at the same camp).

35. The Applicants took the steps necessary to reduce variable costs (eg. food, staffing) as a result of the lost revenue. There is still a base level of fixed costs required to operate the camps regardless of occupancy and the Applicants have worked to manage these as well.

36. Primarily in light of the above developments, the Applicants have revisited their revenue and cash flow projections through to May 26, 2018. Attached at **Schedule "A"** hereto is a copy of the revised projections (the "**January Projections**"). The assumptions supporting the January Projections are also attached hereto at **Schedule "B"**. The Monitor has reviewed the cash flow projections and assumptions used in preparation of same and finds the projections and related assumptions to be reasonable and suitably supported.

37. Highlights of the **January Projections** include:

a) Cumulative revenue for the period from January 20 to May 26 is approximately $12.0 million compared to $11.8 million in the December 2 Projections for this same period. The Applicants have re-visited the expected revenue by camp by customer (man-days and average daily rate) based on the most recent discussions with customers to arrive at this updated revenue projection;

b) Certain costs have been revised to reflect improved pricing from suppliers negotiated over recent weeks;

c) Projected receipts and disbursements from construction projects have been revisited and revised. The Applicants will only proceed with construction activities during this period on the basis that customers provide funding in advance of the Applicants incurring further costs.

d) Peak additional borrowings required are projected to be approximately $452,000 during the week ending March 17, 2018 (after taking into account the receipt of $500,000 of DIP funds in December, 2017). Again for comparative purposes, when first tranche of Incremental DIP Financing received in December 2017 is factored in, this would equate to total peak additional required borrowings to March 17, 2018 of $952,000 in the January Projections compared to approximately $940,000 during the week ending March 10, 2018 in the December 2 Projections (prior to receipt of any of the Incremental DIP Financing);

e) Effective the week ended April 14, 2018, forward, the Applicants are projecting to achieve a significant positive ending cash balance which continues to grow over the balance of the projection period. Provided the projections are achieved, it appears that there is the possibility that a portion or all of the Incremental DIP Financing could be repaid;

f) The ending cash is projected to be approximately $1.938 million. For comparative purposes, the Monitor notes that this projected ending cash balance includes the receipt of the first tranche of the Incremental DIP Financing that was not reflected in the December 2 Projections. In order to compare this revised amount to the same figure in the December 2 Projections, the receipt of $500,000 of Incremental DIP Financing should be removed. If the $500,000 is removed, the ending cash balance in the January Projections would be approximately $1.438 compared to $1.8 million in the December 2 Projections;

g) Ending receivables (not shown in the cash flow) are projected to be approximately $900,000 higher than at the start of the week ended December 2, 2017 which is unchanged from the December 2 Projections.

38. The December 2 Projections indicated that Tranche 2 of the Incremental DIP Financing would be required near the end of January to allow the Applicants sufficient financial room to effectively operate their business during what is traditionally a period of high demand at their camps. While modified with respect to the revenue projections, the January Projections indicate that the Incremental DIP Financing will still be sufficient for the Applicants for that purpose.

TRANCHE 2 DRAW REQUEST AND MONITOR'S RECOMMENDATION

39. Based on the existence of the Restructuring Investor's LOI, the significant cash deposit placed into trust with the Applicants' corporate counsel in furtherance of the Restructuring Investor's transaction, and the ongoing positive discussions with potential lenders who may be prepared to provide financial assistance to the Applicants as they emerge from the CCAA process, the case for allowing the Applicants to continue in operations is compelling.

40. The Monitor, in discussions with BDC both directly and through legal counsel, has received an indication from BDC that it is prepared to advance Tranche 2 given receipt of the LOI, the significant deposit made, and the updated work plan received from the Applicants.

41. Based on the January Projections, the advance of Tranche 2 will afford the Applicants the ability to continue operations through the busy season and generate ongoing revenues in relation to its camp operations.

42. In the circumstances, and based on the foregoing, the Monitor recommends that the Court approve the advance of Tranche 2.

CONCLUDING REMARKS

43. In conclusion, the Monitor notes that progress has been made toward restructuring the Applicants, and while revenues have fallen significantly short of the December 2 Projections, the January Projections suggest that, with the Tranche 2 from the Incremental DIP Financing, the Applicants will be able to operate their business through to plan implementation if:

    a) Definitive documentation is completed with the Restructuring Investor in a timely manner; and

    b) One of the potential new lenders extends an offer of financing to the Applicants at a level consistent with the Applicants' needs to enable them to put a Plan of Arrangement to their creditors and emerge from these proceedings.

44. In addition thereto:

    a) Management is working diligently to continue to strengthen the business by their efforts to maintain relationships with clients, generate revenue from new opportunities and institute certain operational restructuring measures during the CCAA process;

b) The Applicants have received approval from this Court to undertake a claims process to identify and quantify creditors and claim amounts as required to facilitate the presentation and voting on a Plan of Arrangement;

c) The updated cash flow projection and underlying assumptions appear reasonable and suitably supported in the circumstances;

d) BDC has reviewed the January Projections and related assumptions, and has advised that it will continue to support the Applicants. BDC has further advised that it is prepared to advance the remaining amount available under the Incremental DIP Financing, subject to Court approval;

e) According to the January Projections, by the end of the projection period, the Applicants should be in a position to repay a portion, if not all of the Incremental DIP Financing, and accounts receivable will have increased relative to today, if the cash flow projections are achieved;

f) Management continues to identify and pursue opportunities to generate funds through the disposition of redundant assets, through discussions with the Restructuring Investor and others; and,

g) Management, with the assistance of the Monitor, is developing the structure and critical elements of a Plan of Arrangement for presentation to creditors.

45. In the circumstances, the Monitor is of the view that the Applicants are proceeding in good faith and with due diligence. In addition, given how close the Applicants are to securing new financing, which would serve to supplement the LOI with respect to any possible Plan of Arrangement and help fund operations if/as required on emergence from these CCAA Proceedings, the Monitor recommends that the Court approve the Applicants' request for:

a) Access to the undrawn Tranche 2; and

b) An extension of the Stay up to and including March 2, 2018.

46. The Monitor believes that an extension to on or about March 2, 2018 will provide the Applicants with sufficient time to obtain a written letter of intent or a commitment letter to provide the funding needed to emerge from these proceedings and the Applicants should be in a position to put a Plan of Arrangement forward to their creditors.

Dated at Edmonton, this 25th day of January, 2018

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.; 1371047 Alberta Ltd.; and
1919209 Alberta Ltd.
and not in its personal or corporate capacity

Per:

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

Schedule A

ctions - Canada North Group Inc.
Weeks Ended May 26, 2018

3	9	10	11	12	13	14	15	16	17	18	19	19 Week Jan. 20, 2017 -
Ended r 10	Week Ended Mar 17	Week Ended Mar 24	Week Ended Mar 31	Week Ended Apr 7	Week Ended Apr 14	Week Ended Apr 21	Week Ended Apr 28	Week Ended May 5	Week Ended May 12	Week Ended May 19	Week Ended May 26	May 26, 2018 Total
$)	($)	($)	($)	($)	($)	($)	($)	($)	($)	($)	($)	($)
071,488)	(12,302,996)	(12,320,640)	(12,191,358)	(12,147,789)	(11,985,389)	(11,316,655)	(11,199,451)	(10,831,385)	(10,908,023)	(10,457,122)	(10,382,912)	(11,460,112)
494,374	504,091	775,438	667,136	790,423	1,056,012	759,605	766,834	660,977	642,802	612,224	634,662	11,444,511
725,882	491,735	646,155	603,567	628,023	387,278	612,401	388,768	737,615	191,902	508,014	181,536	9,699,185
(231,508)	12,356	129,282	63,569	162,400	668,734	147,204	378,066	(76,638)	450,900	104,210	453,126	1,745,327
-	-	-	-	-	-	-	-	-	-	-	-	-
(231,508)	12,356	129,282	63,569	162,400	668,734	147,204	378,066	(76,638)	450,900	104,210	453,126	1,745,327
302,996)	(12,290,640)	(12,191,358)	(12,127,789)	(11,985,389)	(11,316,655)	(11,169,451)	(10,821,385)	(10,908,023)	(10,457,122)	(10,352,912)	(9,929,786)	(9,714,786)
-	(30,000)	-	(20,000)	-	-	(30,000)	(10,000)	-	-	(30,000)	-	(215,000)
,868,638)	(11,868,638)	(11,868,638)	(11,868,638)	(11,868,638)	(11,868,638)	(11,868,638)	(11,868,638)	(11,868,638)	(11,868,638)	(11,868,638)	(11,868,638)	(11,868,638)
(434,358)	(452,002)	(322,719)	(279,150)	(116,751)	551,983	669,187	1,037,254	960,616	1,411,516	1,485,726	1,938,853	1,938,853
302,996)	(12,320,640)	(12,191,358)	(12,147,789)	(11,985,389)	(11,316,655)	(11,199,451)	(10,831,385)	(10,908,023)	(10,457,122)	(10,382,912)	(9,929,786)	(9,929,786)

Schedule B

Canada North Group
January Projections
(January 20, 2018 to May 26, 2018)
Assumptions

The principle assumptions used in the preparation of the January Projections are as follows:

i. Revenue and receipts

a. Projections are built by camp based on estimated man days per week at the average daily rate per man
b. Revenues are forecast to be collected 15% in the 2nd week following (1 customer) with the remaining 85% collected 45% in 30 days; 45% in 60 days and 10% in 90 days

ii. Cost of Sales

a. Food cost is estimated per man day and is based on historical costs
b. Labour and source deductions are estimated as a percent of total revenue and based on historical results
c. Propane, electricity, sewage, etc. are based on 2016 winter actual costs adjusted for projected changes in camp occupancy; however, sewage is capped at an amount based on securing a new contract with lower rates
d. Costs for "gensets" at certain properties are projected for days when number of guests exceeds an established occupancy threshold

iii. G & A

a. Costs based on actual costs for first 4 months under CCAA protection for continuing costs (and subject to the cost reduction noted below)
b. Beginning in January 2018, payroll is reduced by $25k per month to reflect certain salary reductions

iv. Professional fees

a. Based on estimates provided by professionals anticipating that a CCAA Plan will be filed on or before February 28, 2018 with creditor meetings to follow

v. Other

a. The Winterburn property is listed but as a sale is uncertain, there is no reduction for any possible cost savings upon a sale

b. The head office has moved however any cost reductions relative to the costs of the previous head office location are not reflected in the projection as they are assumed to be offset by rent at the new location
c. The balance on the CWB operating loan is unchanged throughout the 19 week projection period
d. Accounts receivable include all 3rd party accounts regardless of aging and increase by about $1.1 million at May 26, 2018 compared to the opening balance for the week ended January 20, 2018. The higher ending balance is the result of revenues over the forecast period being weighted more toward later weeks.