Clerk's Stamp

FILED JUL 04 2017 Clerk of the Court

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	**PROPOSED MONITOR'S REPORT**
	July 4, 2017
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**PROPOSED MONITOR**

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

COUNSEL

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

JUDICIAL CENTRE OF EDMONTON FILED JUL 04 2017 Clerk of the Court

TABLE OF CONTENTS

EXHIBITS

INTRODUCTION

1. On June 26, 2017, the following four corporations each filed a Notice of Intention to Make a Proposal ("**NOI**") under the *Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3, as amended* ("**BIA**") (all proceedings herein collectively called the "BIA Proceedings") and Ernst & Young Inc. ("**EYI**" or the "**Proposed Monitor**") consented to act as the NOI trustee (the "**NOI Trustee**") in each circumstance:

   a) Canada North Group Inc. ("**CNG**");

   b) Canada North Camps Inc. ("**CNC**");

   c) CampCorp Structures Ltd. ("**CampCorp**"); and,

   d) D.J. Catering Ltd. ("**DJ**")

2. From the materials served on EYI and filed with the Court, EYI understands that two additional companies: 816956 Alberta Ltd. ("**816**"), and 1371047 Alberta Ltd.("**137**") (each of which has not filed any NOI proceedings under the BIA) are also being included as applicants in the above noted application. For the balance of this report, unless referred to specifically as defined above, CNG, CNC, CampCorp, DJ, 816 and 137 will be collectively referred to simply as the "**Group**" or the "**Applicant**".

3. Generally, the Group is involved in providing various services to Oil and Gas companies in Alberta and British Columbia, Canada. EYI understands that the Group's activities and operations pertain primarily to providing remote camp services/hospitality, as well as the construction of modular structures used for camps and other applications. 816 and 137 are not directly involved in the activities of the Group, but rather both of these entities are primarily holding companies which own real properties and shares of other corporations that are presently not part of the BIA Proceedings.

4. EYI understands that on July 5, 2017, the Group intends to bring an application before the Court seeking, *inter alia*, an initial order ("**Initial Order**") to:

   a) convert each of the BIA Proceedings of CNG, CNC, CampCorp and DJ to a consolidated proceeding pursuant to the *Companies' Creditors Arrangement Act, R.S.C. 1985, C-36, as amended* (the "**CCAA**" or the "**CCAA Proceedings**").

   b) Include in the above CCAA Proceedings both 816 and 137.

5. The Group is hopeful that the relief afforded under the CCAA will provide the platform and necessary time it requires to restructure its business and financial affairs.

6. This report (the "**Proposed Monitor's Report**") has been prepared by EYI in contemplation of its appointment as a monitor in the CCAA proceedings and provides information to the Court in considering the Applicant's request for relief.

7. The Proposed Monitor's report should be read in conjunction with the supporting affidavit of Shayne McCracken, (the "**McCracken Affidavit**") sworn on June 28, 2017 in support of the Applicant's request to convert the BIA Proceedings to a consolidated proceeding pursuant to the provisions of the CCAA as well as to add both 816 and 137 to the CCAA Proceedings.

PURPOSE OF THE REPORT

8. The purpose of the Proposed Monitor's Report is to provide this honourable Court with comments with respect to the following:

a) EYI's qualification to act as Monitor;

b) The causes of the Group's insolvency;

c) The Group's cash flow projection in accordance with section 23(1)(b) of the CCAA;

d) The Court ordered charges sought in the proposed Initial Order; and

e) The Proposed Monitor's recommendations.

DISCLAIMER

9. In preparing the Proposed Monitor's Report, the Proposed Monitor has been provided with, and has relied upon, unaudited financial information, books and records, financial information prepared by the Group, and on other verbal information provided through various discussions with the Group's management ("**Management**"). The Proposed Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Accordingly, the Proposed Monitor expresses no opinion or other form of assurance on the information contained in this report or relied upon in its presentation. 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.

10. Unless otherwise stated, all monetary amounts contained herein are referenced in Canadian currency.

EYI'S QUALIFICATIONS TO ACT AS MONITOR

11. EYI is a licensed trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act of Canada* and has extensive experience acting as a monitor pursuant to the provisions of the CCAA in many of Canada's largest restructurings.

12. EYI has been acting as the NOI Trustee for each of the individual members of the Group since June 26, 2017 and has been monitoring the business and financial affairs of the Group since that time.

13. EYI is of the view that the restrictions as to who may be appointed as a Monitor under section 11.7(2) of the CCAA would not disqualify the Proposed Monitor from acting as Monitor for the Applicant as EYI has not provided any accounting or auditing services to the Company over the past two years. Accordingly, EYI has provided its consent to act as Monitor should the Court grant the Applicant's request to commence the CCAA proceedings.

CAUSES OF INSOLVENCY

14. The Proposed Monitor understands from review of the McCracken Affidavit and from its meetings and discussions with Management that the causes of the Group's financial difficulties include the factors outlined in the paragraphs that follow.

15. As noted earlier in this report, the Group is involved in providing various services (primarily in relation to remote camp services/hospitality, and construction of modular structures used for camps and other applications) to Oil and Gas companies in Alberta and British Columbia, Canada.

16. Similar to many other companies in the oil and gas sector, the Group's operations suffered significantly from the steep decline in oil prices that occurred in the latter half of 2014. Since this time, the Group's revenues declined by approximately 50%, as oil companies cancelled projects and curtailed workforces. In addition, Oil companies also required lower prices for services, putting extreme downward pressure on profit margins to the point that some contracts simply couldn't be secured at an economically feasible rate.

17. One other specific factor that has contributed to the Group's financial difficulties relates to an unpaid receivable owed to the Group by CNRL. Management has advised EYI that CNRL has yet to pay a $1.8M (approximate) CampCorp receivable. Significant cost and efforts were put into negotiating payment with CNRL. EYI understands that arbitration for this matter is pending.

18. Notwithstanding the above, the payments required on the Group's outstanding financing agreements remained high with rapid amortization schedules that did not decrease.

19. The Group could not anticipate the duration of the oil price crash, and consequently despite initiating some downsizing efforts, continued to deplete its equity and working capital in order to keep its businesses going. Although the Group continues to have revenues from its operations, the payments required on its various financing agreements are very high in proportion to the Group's reduced revenues over the past several years.

CASH FLOW PROJECTION

20. For purposes of paragraph 10(2)(a) of the CCAA, Management prepared a consolidated cash flow projection for the Group (the " **Initial Projection**") on a weekly basis for the period beginning with the week ended June 24, 2017 to the week ended September 30, 2017 (the "**Forecast Period**"). The Initial Projection was submitted to the Court by the Group along with its application materials previously. A copy of the Initial Projection is enclosed as Exhibit "1" to the Proposed Monitor's Report for the Court's ease of reference.

21. The Initial Projection was prepared and submitted by Management prior to any significant consultation with the Proposed Monitor on the cashflow projections. As will be discussed in the paragraphs that follow, upon review of the Initial Projection by the Proposed Monitor with Management, it became apparent that a revised cash flow projection was required for the Group (the "**Revised Projection**"). The Revised Projection also covers the Forecast Period, and was prepared using probable and hypothetical assumptions (the "**Probable and Hypothetical Assumptions**") as determined by Management. A copy of the Revised Projection along with the Probable and Hypothetical Assumptions are included as Exhibit "2".

<u>Proposed Monitor's review of both the Initial and Revised Projection</u>

22. The Proposed Monitor attended the premises of the Group on June 28th, 2017 to meet with Management and begin its review of the Initial Projection. Upon commencement of its review, the Proposed Monitor discovered the following:

a) The Group's Controller, Brian Stasynec, who is a Chartered Professional Accountant, and a Chartered Accountant, was away from the office and not able to assist Management with the preparation of most of the Initial Projection on account of a death in the family, only returning back to Edmonton late on the evening of June 27th. Mr. Stasynec also was not able to attend any calls with the Group and its Counsel prior to his return to be briefed on the circumstances facing the Group and the information required as a result;

b) Certain assumptions submitted to the Court and served on the various parties in relation to the Initial Projection did not accurately reflect the manner in which the figures were recorded in the Initial Projection;

c) In other instances, the assumptions submitted required further clarification, or did not adequately or completely describe the basis for presentation within the Initial Projection;

d) Some of the figures presented appeared to be based off of the work of an outside firm as the Group's consultant (or in some other role recently), and although Management felt the figures appeared reasonable and appropriate, Management had difficulty confirming the basis for some of the weekly line items figures presented; and,

e) There were a few small formula errors, and a few cash outflow line items were only presented on a monthly basis, and not weekly as required and in accordance with anticipated actual outflows.

23. Management indicated to EYI that it had reviewed the Initial Projection and was of the opinion that it was conservative in nature, and only reflected cash collections from customers that it felt would be reasonably certain of collection within the Forecast Period. Any customers/amounts that were uncertain were left out of the Initial Projection as per Management.

24. Given the factors above, the Proposed Monitor advised Management that the Initial Projection was not sufficiently completed to enable the Proposed Monitor to finalize the pre-filing report on the Applicant's Initial Projection.

25. Management acknowledged the Proposed Monitor's concerns as reflected above, and indicated that due to the limited time it had to prepare and submit the Initial Projection, coupled with the lack of familiarity with the CCAA Process and not having the Group's controller available for the entire time that the projections were being prepared, that it was likely appropriate to prepare and submit the Revised Projection.

26. On July 3, 2017, Management completed its preparation of the Revised Projection, and EYI attended the Group's premises to review same.

27. The Revised Projection is prepared with the underlying assumption (amongst others) that an Initial Order under the CCAA will be granted, and that all payments to secured creditors, arrears on account of statutory creditor remittances, and pre-NOI unsecured creditors of the Group will be stayed and dealt with as part of the CCAA Proceedings. As such, no such payments are included in the Revised Projection. In addition to the above, the Revised Projection does not include any line items in relation to potential amounts realized from the sale of any assets, or injections of funds from potential new equity investors into the Group. The Proposed Monitor understands that the Group is concurrently contemplating the disposition of some of its assets and entertaining arrangements with potential equity investors.

28. For the weeks ended June 24, and July 1, 2017 in the Revised Projection, the figures outlined in the schedule have not been changed from the Initial Projection, but rather, a single line item entry has been inserted to adjust the ending cash balances to the actual amounts on deposit as at those dates. Given the existing noted concerns of the Proposed Monitor with respect to the Initial Projections, the complexity of the Applicant's organization and the short period of time EYI has been engaged, the Proposed Monitor was not yet able to investigate and report on the differences between the Initial Projections and the actual results obtained.

29. The Proposed Monitor has conducted a review of the Revised Projection consisting of inquiries, analytical procedures and discussion related to information supplied to it by Management of the Group. Since hypothetical assumptions need not be supported, the procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Revised Projection. The Proposed Monitor also reviewed the support provided by Management for the probable assumptions and the preparation and presentation of the Revised Projection.

30. Based on the Proposed Monitor's review, nothing has come to its attention that causes it to believe that, in all material respects:

a) the hypothetical assumptions are not consistent with the purpose of the Revised Projection;

b) as at the date of this report, the Probable and Hypothetical Assumptions developed by Management are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Revised Projection, given the Probable and Hypothetical Assumptions; or

c) the Revised Projection does not reflect the Probable and Hypothetical Assumptions.

31. Since the Revised Projection is based on assumptions regarding future events, actual results will vary from the information presented even if the Probable and Hypothetical Assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the Revised Projection will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon by us in preparing this report.

32. The Revised Projection has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

COURT ORDERED CHARGES SOUGHT BY APPLICANT

33. The proposed Initial Order contemplates three Court ordered charges as sought by the Applicant:

a) An Administration Charge;

b) A Directors' and Officers' Indemnification and Charge ("**Directors' Charge**"), and,

c) An Interim Lender's Charge ("**DIP Charge**").

34. Further, the Proposed Monitor understands that the proposed Initial Order contemplates that the priorities of the above noted charges, shall be as follows:

i) First - Administration Charge (to the maximum amount of $500,000);

ii) Second - DIP Charge (to the maximum amount of $1,000,000); and,

iii) Third - Directors' Charge (to the maximum amount of $150,000).

35. The Proposed Monitor's comments in relation to the three charges sought by the Applicant are outlined in the sections that follow.

<u>Administration Charge</u>

36. The proposed Initial Order provides for a charge in the amount of $500,000 (the "**Administration Charge**") in favour of the Proposed Monitor, counsel to the Group, a Chief Restructuring Officer and independent counsel to the Proposed Monitor (collectively the "**Beneficiaries**"), as security for professional fees and disbursements incurred both before and after the making of the Initial Order in respect of these CCAA proceedings.

37. In addition to the Administration Charge, the Company is seeking the authorization of the Court to pay the professional costs for the Beneficiaries on at least a monthly basis in relation to the CCAA restructuring proceedings.

38. The Proposed Monitor is of the opinion that the Administration Charge is required, and is further of the opinion that $500,000 is fair and reasonable. The Proposed Monitor is supportive of an Administration Charge of $500,000 in the circumstances.

<u>Directors' Charge</u>

39. The proposed Initial Order contemplates that the Applicants shall indemnify their directors and officers against obligations and liabilities that they may incur as directors and/or officers of the Applicants after the commencement of the CCAA Proceedings except to the extent that, with respect to any officer or director, the obligation was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

40. In relation to the above, the proposed Initial Order provides for a Directors' Charge on the Property of the Group, which charge shall not exceed an aggregate amount of $150,000, as security for the indemnity provided by the Group to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified.

41. The Proposed Monitor is of the opinion that the Directors' Charge is required, and is further of the opinion that $150,000 is fair and reasonable in the circumstances.

<u>DIP Charge</u>

42. The Proposed Monitor understands that the Group has been in discussions with Business Development Bank of Canada ("BDC") to provide interim financing to the Group during these CCAA Proceedings. EYI has been advised by Management that BDC is prepared to provide interim financing to the Group provided the proposed

Initial Order is granted, and further provided that an interim financing charge ("DIP Charge") is granted as part of the proposed Initial Order.

43. The proposed Initial Order provides that the Applicant is authorized and empowered to obtain and borrow under a credit facility to finance its working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed $1,000,000 unless permitted by further order of this Court. The proposed Initial Order further provides that in the event such interim funding is obtained, the interim lender shall be entitled to the benefits of a DIP Charge on the Property of the Group to secure all obligations incurred up to the $1,000,000 limit noted above or such other amount as approved by the Court.

44. From a review of the Revised Projections, the Proposed Monitor is of the opinion that interim financing will be required to assist the Group with covering off operating expenses, deposits required by suppliers for ongoing services/supplies and to otherwise help maintain stability during the CCAA Proceedings. Actual borrowing requirements are highly sensitive to timing variances, variances in projected cash collections and sales, which can be quite volatile and the other assumptions underlying the Revised Projection. Accordingly, having interim financing ready and in place is considered prudent by the Proposed Monitor.

45. The proposed interim financing is more than sufficient for the initial stay period contemplated in the Initial Order. The Revised Projection contemplates a greater need for funding over the period reflected in the Revised Projection. However, the need for further funding will be further evaluated after the granting of the Initial Order and once the Proposed Monitor has had a reasonable opportunity to examine the Applicant's progress and financial performance.

46. Given the above, the Proposed Monitor is of the opinion that the DIP Charge is required, and is further of the opinion that $1,000,000 is fair and reasonable in the circumstances.

PROPOSED MONITOR'S RECOMMENDATIONS

47. The Group's current financial situation is complicated, potentially contentious, and involves numerous stakeholders with different and possibly conflicting objectives. The Group believes that a proceeding under the CCAA will enable it to resolve its financial difficulties in a reasonable manner, while continuing to employ most of its employees and eventually return to being a healthy business.

48. In this case, the Proposed Monitor is of the opinion that the Group's operations and dealings with various stakeholders are so intertwined that a successful restructuring is likely only possible with the preservation of the status quo for the Group as a whole. The Proposed Monitor agrees that given the complexity of the matter along with the various parties involved that a consolidated CCAA Proceeding for the Group: including the

addition of 816 and 137, will provide the most flexibility in relation to restructuring its affairs as opposed to separate continued proceedings under the BIA.

49. Management has advised the Proposed Monitor that there is at least one interested investors who is looking to inject significant funds into the Group by way of an equity investment, but requires additional time to conduct its due diligence and draft the appropriate agreements. In addition, the Group has also advised the Proposed Monitor that BDC who is also a significant secured creditor of the Group is supportive of the Applicant's request for relief in the circumstances.

50. From various information provided by, and discussions with Management, the Proposed Monitor is of the opinion that the Group's combined asset values are significant. Management believes that if the assets of the Group were liquidated, the amount realized would likely cover off the claims of secured and statutory creditors; however, a liquidation of the Group's assets could jeopardize the recovery for other stakeholders, including unsecured creditors and shareholders. The Proposed Monitor is also of the view that granting the relief requested will provide the Group the best opportunity to preserve value and maximize recoveries for all of its stakeholders.

51. For the reasons noted above, and for the following additional reasons:

a) the Group continues to act in good faith and with due diligence;

b) the Group will likely be able to make a viable plan of arrangement or compromise if given the time to restructure its business and financial affairs; and

c) no creditor would be materially prejudiced if the conversion of the restructuring proceedings from the BIA for CNG, CNC, CampCorp and DJ to the CCAA were granted;

the Proposed Monitor respectfully recommends that the Applicant's request for an Initial Order pursuant to the CCAA and the ancillary relief described in this report be granted by this Honourable Court.

EYI respectfully submits the Proposed Monitor's Report to the Court in support of the relief sought by the Applicant.

Dated at Edmonton, this 4th day of July, 2017

Ernst & Young Inc.
In its capacity as Proposed 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

EXHIBIT 1

Statement of Projected Cash-Flow
(Subsection 50(6) of the Act)
For the Period June 24,2017 to September 30, 2017

	Jun 24	Jul 1	Jul 8	Jul 15	Jul 22	Jul 29	Aug 5	Aug 12	Aug 19	Aug 26	Sep 2	Sep 9	Sep 16	Sep 23	Sep 30	Total
OPENING CASH POSITION:	-	(10,342)	(235,376)	(256,865)	(394,100)	(394,941)	(357,521)	(617,883)	(623,800)	(567,950)	(562,739)	(744,198)	(693,272)	(703,719)	(763,508)	-
CASH INFLOWS																
Collections - catering	187,078	427,267	256,028	225,913	293,836	399,439	272,615	396,000	361,298	380,000	340,000	265,000	245,000	265,000	245,000	4,559,474
Collections - construction							296,000	200,000				121,844				617,844
TOTAL CASH INFLOWS	187,078	427,267	256,028	225,913	293,836	399,439	310,298	380,000	361,298	380,000	340,000	386,844	245,000	265,000	245,000	5,177,318
CASH OUTFLOWS:																
GST payment							11,000				1,000					12,000
Admin payroll	-	60,000	-	60,000	-	60,000	-	60,000	-	60,000	-	60,000	-	60,000	-	420,000
CNC & DJ payroll source deductions	60,000	-	60,000	-	70,000	-	70,000	-	70,000	-	70,000	-	70,000	-	70,000	540,000
Campcorp payroll source deductions		9,000		10,000		10,000		10,000		10,000		10,000		10,000		69,000
Insurance - Shareholder life	-	39,718	-	-	-	-	39,718	-	-	-	39,718	-	-	-	-	119,155
Consulting Fees: CNC	-	3,000	10,000	-	-	-	3,000	10,000	-	-	3,000	10,000	-	-	-	39,000
Public Relations & Client Care: CNC	700	700	700	700	700	700	700	700	700	700	700	700	700	700	700	10,500
Rent		119,167			31,340		31,167		31,340		31,167		31,340		31,167	306,688
Group Medical Insurance: CNC	-	-	4,659	-	-	-	4,659	-	-	-	4,659	-	-	-	4,659	18,636
Travel For Work: CNC	804	804	804	804	804	804	804	804	804	804	804	804	804	804	804	12,063
Fees & Professional Devel: CNC	-	-	-	1,128	-	-	-	1,128	-	-	-	1,128	-	-	-	3,385
Construction costs			50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	20,800	10,000	10,000	10,000	10,000	460,800
Office Supplies: CNC	183	183	183	183	183	183	183	183	183	183	183	183	183	183	183	2,745
Permits & Inspections: CNC																-
Travel Food Expense: CNC	309	309	309	309	309	309	309	309	309	309	309	309	309	309	309	4,630
Professional Fees	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	375,000
Management fee	-	4,792	-	-	-	-	4,792	-	-	-	4,792	-	-	-	4,792	19,167
IT Support	-	82	-	-	-	-	82	-	-	-	82	-	-	-	82	329
Credit Card Charges: CNC	-	-	255	-	-	-	255	-	-	-	255	-	-	-	255	1,019
Camp payroll - CNC		62,515		72,682		72,682		72,682		72,682		72,682		72,682		498,607
Payroll - Campcorp		24,000		26,000		26,000		28,000		28,000		28,000		28,000		188,000
Food	75,000	75,000	75,000	75,000	75,000	75,000	85,000	85,000	85,000	85,000	75,000	75,000	75,000	75,000	75,000	1,165,000
Propane	5,169	5,169	5,149	5,149	5,149	5,149	6,047	6,047	6,047	6,047	6,047	6,047	6,047	6,047	6,047	85,356
Sewage	4,119	4,119	4,116	4,116	4,116	4,116	4,017	4,017	4,017	4,017	4,017	4,017	4,017	4,017	4,017	60,850
Electricity	3,074	7,992	8,079	3,074	3,074	3,074	12,898	2,975	2,975	2,975	12,898	2,975	2,975	2,975	12,898	84,912
Fuel	3,529	5,890	3,519	3,519	3,519	3,519	5,930	3,568	3,568	3,568	5,930	3,568	3,568	3,568	5,930	62,691
Insurance		68,405					68,405				68,405					205,214
Utilities - internet	-	7,745	1,729	-	-	-	9,474	-	-	-	9,474	-	-	-	9,474	37,897
TV Programming	-	6,129	2,532	-	-	-	8,661	-	-	-	8,661	-	-	-	8,661	34,645
Garbage disposal	1,120	3,654	1,120	1,120	1,120	1,120	3,618	1,084	1,084	1,084	3,618	1,084	1,084	1,084	3,618	26,609
Vending/Resale expense	935	935	939	939	939	939	857	857	857	857	857	857	857	857	857	13,338
General maintenance	782	782	774	774	774	774	779	779	779	779	779	779	779	779	779	11,672
Taxes - Property & Business: CNC	-	10,048	-	-	-	-	10,048	-	-	-	10,048	-	-	-	10,048	40,191
Utilities - water	459	1,076	459	459	459	459	1,061	444	444	444	1,061	444	444	444	1,061	9,216
Propane equipment rental		423					428				428				428	1,708
General supplies	332	332	322	322	322	322	470	470	470	470	470	470	470	470	470	6,184
Telephone	-	485	-	-	-	-	485	-	-	-	485	-	-	-	485	1,942
HML operating expenses	15,906	26,471	21,871	21,871	21,871	21,871	32,436	21,871	21,871	21,871	32,436	21,871	21,871	21,871	32,436	358,391
Partnership camp fixed costs	-	78,377	-	-	-	-	78,377	-	-	-	78,377	-	-	-	78,377	313,507
Contingency (10%)																
Lease Disbursements																
Element																
Wells Fargo																
National Leasing																
CWB term Loan																
Camcork	-															
Weslease	-															
Kubota HML	-															
TOTAL CASH OUTFLOWS	197,420	652,301	277,517	363,148	294,677	362,019	570,659	385,918	305,447	374,789	521,459	335,918	255,447	324,789	398,537	5,620,046
CLOSING CASH POSITION	(10,342)	(235,376)	(256,865)	(394,100)	(394,941)	(357,521)	(617,883)	(623,800)	(567,950)	(562,739)	(744,198)	(693,272)	(703,719)	(763,508)	(917,045)	(442,728)

1 The Notes below from 1 - 49 identify the basis and methodology on which the relevant projection was based.

2

3 The projections have been prepared solely for the purpose described in Notes 1-49, using the probable and hypothetical assumptions set out in Notes 1-49. Consequently, readers are cautioned that it may not be appropriate for other purposes.

1 Collections - catering	Based on invoices and estimated sales that are collectd 75 days after invoicing. Estimated billings are based on reservations and anticipated b
2 Collections - construction	Based on past payments from this customer
3 GST payment	Based on estimated sales
4 Admin payroll	Based on current payroll
5 CNC & DJ payroll source deductions	Based on current payroll
6 Campcorp payroll source deductions	Based on current payroll
7 Insurance - Shareholder life	Based on actual
8 Consulting Fees: CNC	Based on past actuals
9 Public Relations & Client Care: CNC	Based on past actuals
10 Rent	Based on actual
11 Group Medical Insurance: CNC	Based on current payroll
12 Travel For Work: CNC	Based on historical
13 Fees & Professional Devel: CNC	Based on historical
14 Construction costs	Based on estimated costs for the project
15 Office Supplies: CNC	Based on historical
16 Permits & Inspections: CNC	Based on historical
17 Travel Food Expense: CNC	Based on historical
18 Professional Fees	Estimate provided by professional staff
19 Management fee	Actual
20 IT Support	Based on historical
21 Credit Card Charges: CNC	Based on historical
22 Camp payroll - CNC	Based on current payroll plus estimated sales
23 Payroll - Campcorp	Based on current wage costs for the specific project
24 Food	Based on revenue projections
25 Propane	Based on historical
26 Sewage	Based on historical
27 Electricity	Based on historical
28 Fuel	Based on historical
29 Insurance	Actual
30 Utilities - internet	Based on historical
31 TV Programming	Based on historical
32 Garbage disposal	Based on historical
33 Vending/Resale expense	Based on historical
34 General maintenance	Based on historical
35 Taxes - Property & Business: CNC	Based on historical
36 Utilities - water	Based on historical
37 Propane equipment rental	Based on historical
38 General supplies	Based on historical
39 Telephone	Based on historical
40 HML operating expenses	Based on historical
41 Partnership camp fixed costs	Based on historical
42 Contingency (10%)	
Lease Disbursements	
43 Element	Based on actual agreements
44 Wells Fargo	Based on actual agreements
45 National Leasing	Based on actual agreements
46 CWB term Loan	Based on actual agreements
47 Camcork	Based on actual agreements
48 Westlease	Based on actual agreements
49 Kubota HML	Based on actual agreements

EXHIBIT 2

REVISED Projected Cash Flow Statement

For the period commencing from the week ended June 24, 2017 to the week ended September 30, 2017

Canada North Group Inc., Canada North Camps Inc., CampCorp Structures Ltd., D.J. Catering Ltd., 1371047 Alberta Ltd., and 816956 Alberta Ltd.

	Projected Cash Inflows/outflows from Initial Projection		Revised Projections See attached Notes and Key Assumptions														Line Specific Notes
	Jun 24	Jul 1	Jul 8	Jul 15	Jul 22	Jul 29	Aug 5	Aug 12	Aug 19	Aug 26	Sep 2	Sep 9	Sep 16	Sep 23	Sep 30	Total	
OPENING CASH POSITION: CWB	(11,940,250)	(11,940,250)	(11,972,857)	(11,972,857)	(11,972,857)	(11,972,857)	(11,972,857)	(11,972,857)	(11,972,857)	(11,972,857)	(11,972,857)	(11,972,857)	(11,972,857)	(11,972,857)	(11,972,857)		Note 5
OPENING CASH POSITION: OTHER	40,915	81,837	127,534	14,006	17,152	15,311	19,155	22,493	8,863	37,887	186,912	25,057	7,940	478,429	565,593		
TOTAL OPENING CASH POSITION:	(11,899,334)	(11,858,413)	(11,845,323)	(11,958,852)	(11,955,705)	(11,957,546)	(11,953,702)	(11,950,365)	(11,963,994)	(11,934,970)	(11,785,945)	(11,947,801)	(11,964,918)	(11,494,428)	(11,407,265)	-	
CASH INFLOWS																	
Collections - catering A/R	187,078	427,267	31,392	176,341	116,422	76,043	84,292	321,864	239,962	374,468	55,428	36,918	56,545	215,223	12,491	2,411,734	Note 6
Collections - catering forecast													265,562	259,361	295,661	820,585	Note 7
Collections - construction	-	-	-	-	-	-	-		6,000	198,529	-	6,000	385,429	-	329,376	925,334	Note 8
TOTAL CASH INFLOWS	187,078	427,267	31,392	176,341	116,422	76,043	84,292	321,864	245,962	572,997	55,428	42,918	707,537	474,584	637,528	4,157,653	
CASH OUTFLOWS:																	
GST payment							11,000				11,000					22,000	Note 9
Admin payroll CNC	-	60,000	-	70,000	-	70,000	-	70,000	-	70,000	-	70,000	-	70,000	-	480,000	Note 10
Camp payroll - CNC		62,515		72,682		72,682		72,682		72,682		72,682		72,682		498,607	Note 10
Payroll - Campcorp		24,000		20,000		20,000		24,000		24,000		24,000		24,000		160,000	Note 10
CNC & DJ payroll source deductions	60,000	-	64,300	-	66,050	-	66,050	-	66,050	-	66,050	-	66,050	-	66,050	520,600	Note 10
Campcorp payroll source deductions		9,000		10,000		10,000		10,000		11,000		11,000		11,000		72,000	Note 10
WCB Instalment														45,833		45,833	Note 11
Group Medical insurance: CNC -net	-	-	4,659	-	-	-	4,659	-	-	-	4,659	-	-	-	4,659	18,636	
Insurance - Shareholder life	-	39,718	-	-	-	-	39,718	-	-	-	39,718	-	-	-	-	119,155	Note 11
Insurance	-	68,405					68,405				68,405					205,214	Note 11
Consulting Fees: CNC	-	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,000	
Public Relations & Client Care - CNC	700	700	-	-	-	-	-	-	-	-	-	-	-	-	-	1,400	
Professional Fees	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	375,000	Note 12
Rent		119,167														119,167	Note 13
Travel For Work: CNC	804	804	804	804	804	804	804	804	804	804	804	804	804	804	804	12,063	
Fees & Professional Devel: CNC	-	-	-	1,128	-	-	-	1,128	-	-	-	1,128	-	-	-	3,385	
Construction costs			50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	20,800	10,000	10,000	10,000	10,000	460,800	Note 14
Office Supplies: CNC	183	183	183	183	183	183	183	183	183	183	183	183	183	183	183	2,745	
Vehicle Maintenance and Fuel: CNC			7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	97,500	
VISA cards - deposit			50,000													50,000	
Moving costs - Simonette dorms																-	
Travel Food Expense: CNC	309	309	309	309	309	309	309	309	309	309	309	309	309	309	309	4,630	
Management Fee		4,792															
IT Support	-	82	-	-	-	-	82	-	-	-	82	-	-	-	82	329	
Credit Card Charges: CNC	-	-	255	-	-	-	255	-	-	-	255	-	-	-	255	1,019	
Food	75,000	75,000	60,000	60,000	60,000	60,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	1,065,000	Note 15
Propane	5,169	5,169	11,156		13,032		11,156			13,032		11,156			13,032	82,902	Note 15
Sewage	4,119	4,119	14,155	-	11,179		4,258			11,179		4,258			11,179	64,446	Note 15
Electricity	3,074	7,992	28,427	-	-	-	28,427	-	-	-	-	28,427	-	-	-	96,347	Note 15
Natural gas			2,716				2,716					2,716				8,148	
Fuel	3,529	5,890	5,000	5,000	5,000	5,000	15,000	5,000	5,000	5,000	5,000	5,000	15,000	5,000	5,000	94,419	Note 15
Water	459	1,076	698				698					698				3,629	
Internet	-	7,745	5,637	-	-	11,055	5,637	-	-	11,055		5,637	-	-	11,055	57,821	Note 15
TV Programming	-	6,129	8,137	-	-	3,546	8,137	-	-	3,546		8,137		-	3,546	41,178	Note 15
Garbage disposal	1,120	3,654	2,827		2,784		3,109	2,827		2,784		3,109	2,827	2,784	3,109	30,934	
Vending/Resale expense	935	935	939	939	939	939	857	857	857	857	857	857	857	857	857	13,338	
General maintenance	782	782	774	774	774	774	779	779	779	779	779	779	779	779	779	11,672	
Taxes - Property & Business: CNC	-	10,048	-	10,718	-	-	-	-	10,718	-	-	-	10,718	-	-	42,202	Note 15
Propane equipment rental		423					428				428				428	1,708	
General supplies	332	332	322	322	322	322	470	470	470	470	470	470	470	470	470	6,184	
Telephone	-	485	1,358	3,909	-	249	1,358	3,909	-	249	1,358	3,909	-	-	249	17,033	
Partnership camp fixed costs	-	78,377	-	-	-	-	5,009	-	-	-	5,009	-	-	-	5,009	93,404	Note 16
Contingency (10%)			34,515	33,927	24,388	33,836	43,700	35,045	24,267	38,543	33,367	37,276	21,550	35,220	24,456	500,345	Note 17
TOTAL CASH OUTFLOWS	181,515	625,831	379,670	373,195	268,263	372,199	480,705	385,494	266,937	423,973	367,033	410,035	237,047	387,421	269,012	5,503,793	
NET INCREASE (DECREASE) IN CASH FROM OPERATIONS:	5,563	(198,564)	(348,278)	(196,854)	(151,841)	(296,155)	(396,413)	(63,630)	(20,975)	149,024	(311,605)	(367,117)	470,490	87,163	368,516	(1,346,140)	
FUNDS REQUIRED TO COVER OPERATING CASH SHORTFALL:		-	(220,744)	(182,848)	(134,689)	(280,845)	(377,257)	(41,137)	(12,113)	-	(124,693)	(342,060)	-	-	-	(1,346,140)	
																-	
DIP processing fee			(15,000)													(15,000)	
DIP monthly administration fee			(250)				(250)				(250)					(750)	
DIP monthly interest @ 9% per annum																-	
Funding Required:			235,994	182,848	134,689	280,845	377,507	41,137	12,113	-	124,943	342,060	-	-	-		
Funding Received (paid):			250,000	200,000	150,000	300,000	400,000	50,000	50,000		150,000	350,000				1,900,000	Note 18
Adjustment to account for difference between actual and projected bank balances	35,359	244,261														279,620	
CLOSING CASH POSITION - CWB	(11,940,250)	(11,972,857)	(11,972,857)	(11,972,857)	(11,972,857)	(11,972,857)	(11,972,857)	(11,972,857)	(11,972,857)	(11,972,857)	(11,972,857)	(11,972,857)	(11,972,857)	(11,972,857)	(11,972,857)		
CLOSING CASH POSITION - Other	81,837	127,534	14,006	17,152	15,311	19,155	22,493	8,863	37,887	186,912	25,057	7,940	478,429	565,593	934,109		

Note 1 This cash flow projection is based on the assumption that a CCAA Initial Order is granted.

Note 2 The hypothetical assumptions are reasonable and consistent with the purpose of the projections described in the Notes below, and the probable assumptions are suitably supported and consistent with the plans of the Group and provide a reasonable basis for the projections. All such assumptions are disclosed in Notes below.

Note 3 Since the projections are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

Note 4 The projections have been prepared solely for the purpose described in the notes, using the probable and hypothetical assumptions set out in the notes. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Note 5 Projection assumes that the Group will not have access to CWB accounts, and weekly balances do not take into account any potential service charges or interest potentially charged by CWB over the course of the projection.

Note 6 Weekly figure compiled based on Management's review of every individual current customer of the Group and the related account receivable. Management has applied its judgement with respect to collection of customer accounts based on each customer's individual payment history. Numerous specific customer accounts to which Management was uncertain as to timing or collectibility have not been included as a cash receipt for the purposes of this projection in an effort to be conservative.

Note 7 Weekly figure is compiled based off of actual future bookings for each camp from figures provided to Management by Mike Loftus (VP Open Lodges - who manages sales for the Group). Figure calculated based on Average Guest Rate multiplied by booked number of guests in camp per day. Future bookings are comprised of requests from various customers, and as such, Management has simply assumed that invoices for services rendered will be collected 75 days after invoice date.

Note 8 For the weeks of August 26 and September 16, 2017, the amount reflected as collected in these weeks pertains to a project at Ottawa University in Kansas. The Contract amount was $300,000 USD, which was converted by the Group to Canadian in the amount of $397,058.40 (exchange rate of 1.323528). Management has simply estimated that the total amount to be collected will be received in roughly two equal payments on the week's noted in the projection.

The total accounts receivable for CampCorp as at June 27, 2017 is in excess of $3.433 million. Management has advised that the majority of these receivables that were considered to be uncertain insofar as collectibility or the timing of the collectibility, have not been included as cash inflows in this projection.

Note 9	Based on average GST payable from GST returns filed over same period as prior year. No payment for GST is reflected in the month of July (June GST) on account of NOI proceedings initiated on June 26, 2017. Management believes amounts will be consistent with same period from prior year.
Note 10	Amount primarily based on current actual bi-weekly payroll, adjusted as required based on Management's estimate of increase or decrease in related expense over period of projection.
Note 11	Amount based on actual premium payments required.
Note 12	Estimate based on advice from counsel and Proposed Monitor.
Note 13	Amounts previously reported in the Initial Projection on account of Rent were in essence flow through payments to secured creditors on real properties occupied by the Group. As such, these amounts were removed from the Revised Projection to be consistent with the treatment of other secured creditors.
Note 14	Amount is estimated based on 60% of estimated total project cost in relation to the Fairview Daycare. Total Project cost is estimated at 80% of total project revenue, which was estimated by Management to be roughly $1.2 million (revenue). Estimate is based on Management's experience with similar type construction projects.
Note 15	Amounts based off of current expenditures, adjusted by Management for increases/decreases in occupancy if necessary.
Note 16	Amount based on current actual expenditures associated with Bonnyville Lodge, Cimarron Lodge and Peace River Lodge (all of which are currently closed, but costs necessary for security and maintenance).
Note 17	Amount based on 10% of total expenditures - provided in projection to be conservative.
Note 18	Amount based on Proposed BDC DIP financing agreement, wherein borrowings can only be in increments of $50,000. Further, the BDC credit agreement indicates that amounts repaid under the DIP facility cannot subsequently be reborrowed, as such no repayments of the DIP funding is provided for in the projections despite several weeks of projected positive cash balances in the Group's accounts outside of CWB.