COURT FILE NO.	1703 12327	Clerk's Stamp JUDICIAL CENTRE OF EDMONTON FILED FEB 2 8 2019 Clerk of the Court
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. C36, AS AMENDED

AND IN THE MATTER OF A PLAN OF ARRANGEMENT OF 667402 ALBERTA LTD., 18512398 ALBERTA LTD., 816956 ALBERTA LTD., 1371047 ALBERTA LTD., 1919209 ALBERTA LTD. and CANADA NORTH GROUP LP HOLDINGS LTD.

DOCUMENT	**SECOND SUPPLEMENTAL BRIEF OF CANADIAN WESTERN BANK IN REBUTTAL TO THE "BRIEF OF GREAT WHITE SAND TIGER LODGING. (RESPONDING TO MONITOR'S APPLICATION RETURNABLE MARCH 14 AND 15, 2019)" AND THE "BRIEF OF ARGUMENT OF THE APPLICANTS, 726 REMOTE ACCOMMODATIONS LTD., 726 MODULAR FINANCE LTD., AND RELIANT ASSET MANAGEMENT LLC".**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	McLennan Ross LLP #600 McLennan Ross Building 12220 Stony Plain Road Edmonton, AB T5N 3Y4	Lawyer: Charles P. Russell, Q.C. Telephone: (780) 482-9115 Fax: (780) 733-9757 Email: crussell@mross.com File No.: 165813

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PART 1 STATEMENT OF FACTS

1. 726 Remote Accommodations, Ltd. ("**726 Remote**") asserts in its Supplemental Brief filed February 19, 2019 (the "**726 Supplemental Brief**") that the security interest held by Canadian Western Bank ("**CWB**") in the assets transferred by Canada North Camps Inc. ("**CNC**") to 726 Remote, was terminated coincidental with the transfer of the subject assets.

2. At the time of the transfer, CWB held general security agreements which contained prohibitions on sale of collateral as outlined in paragraph 7 of the Brief of CWB filed December 20, 2018 (the "**GSAs**").

3. The facts relevant to CWB's claim to a continuing security interest in the transferred assets are outlined in paragraphs 7-9 of CWB's December 20, 2018 Brief.

PART 2 ISSUES

4. The following issues are raised in the application:

   (i) ***Did 726 Remote purchase the transferred assets free and clear of CWB's security interest therein, because the transfer by CNC to 726 Remote was a sale in the ordinary course of CNC's business?***

PART 3 ARGUMENT

5. In CWB's brief filed December 20, 2018, CWB argues that 726 Remote has failed to meet the onus to show that CWB provided a release of its security interest over the assets transferred by CNC to 726 Remote on or about December 2014.

6. In the supplementary evidence admitted by this Court on January 11, 2019, it was demonstrated that 726 Remote neither sought nor obtained a release of CWB's security interest in the transferred assets nor conducted PPR searches at all.

7. In paragraphs 19-31 of the 726 Supplemental Brief, 726 Remote argues that:

    (a) the sale by CNC to 726 Remote was in the ordinary course of business of CNC; and

    (b) the Consolidated Financial Statements of CNC for the fiscal year end 2013 (the "**CNC Financial Statements**") did not provide disclosure to 726 Remote of the existence of the CWB charge over the transferred assets;

such that 726 Remote takes free and clear of CWB's security interest pursuant to section 30 of the PPSA.

8. CWB submits that the GSAs provide to CWB a security interest which was attached to the transferred assets at the time of the sale by CNC to 726 Remote, and remains a charge thereon in favour of CWB as security for CNC's debts, as the sale was not in the ordinary course of business for CNC.

9. The relevant sections of the *Personal Property Security Act*, RSA 2000, c P-7 ("PPSA") are seen below:

> **Buyer or lessee takes free of security interest**
>
> 30(2) A buyer or lessee of goods sold or leased <u>in the ordinary course of business of the seller</u> or lessor <u>takes free of any perfected or unperfected security interest</u> in the goods given by the seller or

> lessor or arising under section 28 or 29, whether or not the buyer or lessee has knowledge of it, unless the buyer or lessee also has knowledge that the sale or lease constitutes a breach of the security agreement under which the security interest was created.
>
> (6) Where goods are sold or leased, the buyer or lessee takes free from any security interest in the goods perfected under section 25 if
>
> (a) the buyer or lessee bought or leased the goods without knowledge of the security interest, and
>
> (b) the goods were not described by serial number in the registration relating to the security interest.
>
> (7) Subsection (6) applies only to goods that are equipment and are of a kind prescribed by the regulations as serial number goods. [*Emphasis added.*]

Personal Property Security Act, RSA 2000, c. P-7 at ss 30(2), 30(6) & 30(7) **TAB A**

10. In the Affidavit of Shayne McCracken sworn June 28, 2017 (the "**First McCracken Affidavit**"), Ms. McCracken deposes as follows:

> 9. CNC is a subsidiary of CNG [Canada North Group Inc.].
>
> 10. CNC operates remote work force housing camps throughout Western Canada.
>
> 11. CNC both operates camps pursuant to fixed contracts with clients as well as maintains a geographically diverse selection of open camps that can accommodate clients on a flexible basis.
>
> 14. CNC operates the following camps:
>
> (e) …Bonnyville Lodge…temporarily closed.
>
> 16. CampCorp Structures Inc. ("**CampCorp**") operates a modular construction manufacturing plant in Winterburn.
>
> 17. CampCorp owns the shares of CampCorp USA Inc. ("**CampCorp USA**").

> 18. CampCorp USA is a manufacturing plant located in Arizona that is capable of constructing two story custom modular commercial units.

Body of Affidavit of Shayne McCracken
sworn June 28, 2017 **TAB B**

11. Nowhere in the First McCracken Affidavit is there any indication that CNC manufactures and/or sells camps or camp equipment in the ordinary course of its business. To the contrary, the First McCracken Affidavit confirms that only CampCorp and CampCorp USA were in the business of manufacturing and/or selling of assets of the nature of those transferred by CNC to 726 Remote, and the admitted vendor of the subject assets is CNC, not either CampCorp or CampCorp USA.

12. 726 Remote makes reference in paragraph 21 of their Brief, to the Proposed Monitor's Report filed July 4, 2017 and relies thereon in asserting that CNC ordinarily carried on the business of manufacturing and sale of assets of the nature of the transferred assets. While the Monitor does make reference to "the Group" being involved in the construction of modular structures used for camps and other applications, nowhere in the Report does the Monitor ascribe those activities to CNC specifically.

Proposed Monitor's Report dated
July 4, 2017 **TAB C**

13. Nothing in the Proposed Monitor's Report refutes the specific evidence of the nature of CNC's business as set out in the First McCracken Affidavit.

14. There is no evidence that CNC ever sold an operating camp other than to 726 Remote in December 2014.

15. In paragraphs 21(c) and 21(d) of 726 Remote's Supplemental Brief, 726 Remote suggests that:

    (a) CNC delivered dorms to the Wandering River Limited Partnership and the Kilometer 147 Limited Partnership; and

(b) The mere existence of some 40 dorms at the farm property previously owned by 1371047 Alberta Ltd., "suggests that" CNC supplied similar units to others, as it had the transferred assets to 726 Remote, such as to demonstrate that the sale to 726 Remote was in the ordinary course of CNC's business.

16. To the contrary, it is well known in these proceedings that there are a myriad of assets which have been leased to CNC and its related companies by third party lessors, to be utilized in CNC's business operations. Other assets seemingly in the possession of CNC or its related companies, are owned by others such as Sand Tiger and Aurora. Nothing can be read into the mere existence of these assets, as supporting the proposition that CNC, in the ordinary course of its business, sold assets of the nature of the transferred assets.

17. In answer to paragraph 21(e) of the Supplemental Brief of 726 Remote, it is noted that while CNC is identified as "seller" in two invoices in connection with the Kilometer 147 Limited Partnership camp, those invoices make clear that "Canada North Camps Structures Ltd." is furnishing the units, not CNC.

Invoices **TAB D**

18. Section 30(2) of the PPSA provides that 726 Remote could take free and clear of the GSAs, only if the transferred assets were sold in the ordinary course of CNC's business.

19. The qualification in the second part of section 30(2) does not apply and it is not necessary to determine whether 726 Remote had knowledge that the sale constituted a breach of the GSAs, as the first part of the test has not been met by 726 Remote.

20. In the case of goods which must be registered by serial number under the regulations pursuant to the PPSA, section 30(6) provides that the buyer must not have knowledge of the security interest if the goods are not registered by serial number. In this case, the dorms were not at the time registered by serial number but that does not determine the issue.

21. Note that section 30(6)(a) does not require that 726 Remote have knowledge that the sale constituted a breach of the GSAs. The test is that 726 Remote must have no knowledge of the existence of the GSAs at all.

22. The evidence is that 726 Remote conducted due diligence on CNC, including receipt of the CNC Financial Statements for the CNC Group, which clearly show the existence of the GSAs.

Transcript of Questioning of Barry Roman,
December 6, 2018 ("Roman Questioning")
at page 11, line 24 – page 13 line 20
TAB E

23. At paragraph 26 of the 726 Supplemental Brief, 726 Remote quotes a part of Notes 5 and 6 of the CNC Financial Statements.

Canada North Group, Consolidated
Financial Statements, September 30, 2013
TAB F

24. What 726 Remote fails to reference in its Brief, is the fact that in addition to $19 million of demand operating borrowings which are secured by a general security agreement and other collateral, there was also some $9.4 million of long-term debt which was also the subject of that same security. Hence, some $28.4 million of debt was secured by the GSAs. Admittedly, these audited financial statements did not disclose which of the Canada North Group companies had general security agreements charging their assets, but the Answers to Interrogatories provided January 11, 2019 demonstrate that all of the companies in this group, but one, had given first charge general security agreements in favour of CWB, including CNC.

25. 726 Remote specifically addressed its mind to whether a security interest existed, as demonstrated by the Bill of Sale negotiated as between its counsel and CNC's counsel, in which there was given a representation that the transferred assets were free and clear of encumbrances.

Bill of Sale **TAB G**

26. Mr. Roman is a sophisticated businessman, with an undergraduate degree in Economics and a Masters in Finance from North-Eastern University in Boston, followed by work at Bank of Boston as a commercial loan officer for a few years before starting the 726 Remote business.

Roman Questioning at page 6, lines 12-20
TAB H

27. To suggest that Mr. Roman would consider it unnecessary to make any enquiry to determine whether the $21 million of transferred assets were free and clear of encumbrances, defies belief. Mr. Roman was aware from the CNC Financial Statements of the existence of a security interest and was aware that that security interest stood as security for payment of some $28.4 million of debt. He could easily have tested the representation made in the Bill of Sale (to the effect that the transferred assets were free and clear of encumbrances) by asking for evidence the GSAs did not charge the transferred assets. That was not done.

28. 726 Remote was aware of the GSAs. To accept otherwise, requires this Court to conclude that as an experienced banker Mr. Roman had little or no understanding of financial statements and security interests, or had chosen not to review the financial statements when making total acquisitions from CNC, CampCorp and CampCorp USA of some $50 million.

29. There is also no evidence that CNC sold small wares and assets similar to the "Bonnyville and Ancillary Equipment" in the ordinary course of its business, and 726 Remote enjoys the protection of neither section 30(2) or (6) of the PPSA with respect thereto.

30. In any event, section 30(6) does not apply to the small wares and Ancillary Equipment now being claimed by 726 Remote, which were not required to be registered by serial number.

31. The only conclusion that can reasonably be reached from these facts, is that (1) 726 Remote, without enquiry or evidence, chose to rely on a mere representation by CNC that the assets were free and clear of encumbrances, which was not true, and (2) 726 Remote's legal counsel failed to undertake the most fundamental of enquiries in acting on the sale of the transferred assets.

32. The facts do not support a conclusion that 726 Remote had no knowledge of the GSAs. Rather, 726 Remote was at best careless in failing to ensure the CWB security interest was released from over the transferred assets.

PART 5 REMEDY SOUGHT

33. CWB seeks a declaration that CWB has a prior security interest in the assets transferred by CNC to 726 Remote in December 2014, such that those assets remain charged by CWB's GSAs.

ALL OF WHICH IS RESPECTFULLY SUBMITTED at the City of Edmonton, in the Province of Alberta, this 27th day of February, 2019.

McLENNAN ROSS LLP

Per: ______________________
Charles P. Russell, Q.C.
Solicitor for the Canadian Western Bank

TABLE OF AUTHORITIES

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Invoices .... **TAB D**

Transcript of Questioning of Barry Roman, December 6, 2018 at page 11, line 24 – page 13 line 20 .... **TAB E**

Canada North Group, Consolidated Financial Statements, September 30, 2013 .... **TAB F**

Bill of Sale .... **TAB G**

Roman Questioning at page 6, lines 12-20 .... **TAB H**

TAB A

Most Recently Cited in: Bank of Montreal v. Mason, 2018 ABQB 161, 2018 CarswellAlta 363, [2018] A.W.L.D. 1038, 8 P.P.S.A.C. (4th) 136, 288 A.C.W.S. (3d) 785 | (Alta. Q.B., Mar 2, 2018)

R.S.A. 2000, c. P-7, s. 30

s 30. Buyer or lessee takes free of security interest

Currency

30.Buyer or lessee takes free of security interest

30(1) For the purposes of this section,

(a) **"buyer of goods"** includes a person who obtains vested rights in goods pursuant to a contract to which the person is a party, as a consequence of the goods' becoming a fixture or accession to property in which the person has an interest;

(b) **"ordinary course of business of the seller"** includes the supply of goods in the ordinary course of business as part of a contract for services and materials;

(c) **"seller"** includes a person who supplies goods that become a fixture or accession

(i) under a contract with a buyer of goods, or

(ii) under a contract with a person who is a party to a contract with a buyer of goods.

30(2) A buyer or lessee of goods sold or leased in the ordinary course of business of the seller or lessor takes free of any perfected or unperfected security interest in the goods given by the seller or lessor or arising under section 28 or 29, whether or not the buyer or lessee has knowledge of it, unless the buyer or lessee also has knowledge that the sale or lease constitutes a breach of the security agreement under which the security interest was created.

30(3) A buyer or lessee of goods that are acquired as consumer goods takes free from a perfected or unperfected security interest in the goods if the buyer or lessee

(a) gave value for the interest acquired, and

(b) bought or leased the goods without knowledge of the security interest.

30(4) Subsection (3) does not apply to a security interest in

(a) a fixture, or

(b) goods the purchase price of which exceeds $1000 or, in the case of a lease, the market value of which exceeds $1000.

30(5) A buyer or lessee of goods takes free from a security interest that is temporarily perfected under section 26, 28(3) or 29(4) or a security interest the perfection of which is continued under section 51 during any of the 15-day periods referred to in those sections, if the buyer or lessee

(a) gave value for the interest acquired, and

(b) bought or leased the goods without knowledge of the security interest.

30(6) Where goods are sold or leased, the buyer or lessee takes free from any security interest in the goods perfected under section 25 if

(a) the buyer or lessee bought or leased the goods without knowledge of the security interest, and

(b) the goods were not described by serial number in the registration relating to the security interest.

30(7) Subsection (6) applies only to goods that are equipment and are of a kind prescribed by the regulations as serial number goods.

30(8) A sale or lease under subsections (2), (3), (5) and (6) may be

(a) for cash,

(b) by exchange for other property, or

(c) on credit,

and includes delivering goods or a document of title to goods under a pre-existing contract for sale but does not include a transfer as security for, or in total or partial satisfaction of, a money debt or past liability.

30(9) A purchaser of a security, other than a secured party, who

(a) gives value,

(b) does not know that the transaction constitutes a breach of a security agreement granting a security interest in the security to a secured party that does not have control of the security, and

(c) obtains control of the security,

acquires the security free from the security interest.

30(10) A purchaser referred to in subsection (9) is not required to determine whether a security interest has been granted in the security or whether the transaction constitutes a breach of a security agreement.

30(11) An action based on a security agreement creating a security interest in a financial asset, however framed, may not be brought against a person who acquires a security entitlement under section 95 of the *Securities Transfer Act* for value and did not know that there has been a breach of the security agreement.

30(12) A person who acquires a security entitlement under section 95 of the *Securities Transfer Act* is not required to determine whether a security interest has been granted in a financial asset or whether there has been a breach of the security agreement.

30(13) If an action based on a security agreement creating a security interest in a financial asset could not be brought against an entitlement holder under subsection (11), it may not be asserted against a person who purchases a security entitlement, or an interest in it, from the entitlement holder.

Amendment History
2006, c. S-4.5, s. 108(20)

Currency
Alberta Current to Gazette Vol. 115:02 (January 31, 2019)

Concordance References
Personal Property Security Act Concordance 45, Transactions in ordinary course of business, buyers of goods
Personal Property Security Act Concordance CABYCONCORD1, Table of Concordance

End of Document

TAB B

Clerk's Stamp

JUN 28 2017

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	**AFFIDAVIT OF SHAYNE McCRACKEN** **Sworn on ~~July~~ June 28, 2017**
COURT FILE NUMBER	24-2266739
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	EDMONTON
	IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-36, AS AMENDED AND IN THE MATTER OF THE PROPOSAL OF CANADA NORTH GROUP INC.
COURT FILE NUMBER	24-2266736
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	EDMONTON
	IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-36, AS AMENDED AND IN THE MATTER OF THE PROPOSAL OF CANADA NORTH CAMPS INC.,
COURT FILE NUMBER	24-2266726
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	EDMONTON

BANKRUPTCY AND INSOLVENCY FILED JUN 28 2017 EDMONTON FAILLITE ET INSOLVABILITE

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-36, AS AMENDED

AND IN THE MATTER OF A PROPOSAL OF CAMPCORP STRUCTURES LTD.

COURT FILE NUMBER	24-2266743
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	EDMONTON

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-36, AS AMENDED

AND IN THE MATTER OF A PROPOSAL OF D.J. CATERING LTD.

DOCUMENT	**AFFIDAVIT OF SHAYNE McCRACKEN**
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AFFIDAVIT OF SHAYNE McCRACKEN

SWORN ON JUNE 28, 2017

I, Shayne McCracken, Businesswoman, of the City of Edmonton, in the Province of Alberta, MAKE OATH AND SAY THAT:

A. INTRODUCTION

1. I am a Director and the Secretary of each of the applicants, Canada North Group Inc. ("**CNG**"), Canada North Camps Inc. ("**CNC**"), CampCorp Structures Inc. ("**CampCorp**") D.J. Catering Inc. ("**DJ**") (CNG, CNC, CampCorp and DJ, collectively, "**Canada North**"), 816956 Alberta Ltd. ("**816**") and 1371047 Alberta Ltd. ("**137**")(Canada North, 816 and 137, collectively, the "**Companies**"), and as such, the matters deposed to herein are based on my personal knowledge or on my review of the books and records maintained by the Applicants in the ordinary course of their business, entries in which books and records are made reasonably contemporaneously with the Applicants' business transactions as they occur,

except where stated to be based upon other information and belief, and where so stated, I believe the same to be true.

2. I make this Affidavit in support of an application on behalf of the Applicants for relief pursuant to the provisions of the *Companies Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended ("**CCAA**") in order to allow the Applicants to restructure their business and financial affairs.

B. CORPORATE STRUCTURE AND BUSINESS OVERVIEW

3. Canada North is a group of family-owned and operated business focused on providing workforce-housing solutions to Western-Canada's remote field services industries. Canada North primarily services the oil and gas industry as well as the construction, forestry and government sectors.

4. Canada North began in 2000 with one camp and a catering company. The company expanded over time and, in 2009, acquired a manufacturing plant in Slave Lake to provide vertical integration and the ability to manufacture modular camps.

5. Attached hereto and marked as **Exhibit A** is the organization chart for Canada North and as **Exhibit B** the organization chart for 816 and 137.

6. The Companies' operations are headquartered in Edmonton, Alberta.

7. Excluding the third party entities in red, each of the corporate entities on the two aforementioned organization charts are Alberta Corporations incorporated pursuant to the *Business Corporations Act* (Alberta) or registered pursuant to the *Partnership Act* (Alberta), except for the following entities which are incorporated as indicated below: :

   (a) CampCorp USA Inc., which is incorporated in Arizona, U.S; and

   (b) Spallumcheen Estates Ltd. and Morningstar Golf Club Ltd.- which is incorporated pursuant to the *Business Corporations Act* (British Columbia); and

<u>Canada North Group Inc.</u>

8. CNG is the parent corporation of CNC, CampCorp and DJ. CNG does not directly carry on active business.

9. CNG is wholly owned by 1995708 Alberta Ltd, which in turn is wholly owned by my husband, Paul McCracken.

<u>Canada North Camps Inc.</u>

10. CNC is a subsidiary of CNG. CNC operates remote workforce housing camps throughout Western Canada.

11. CNC both operates camps pursuant to fixed contracts with clients as well as maintains a geographically diverse selection of open camps that can accommodate clients on a flexible basis.

12. The Western Canadian camp industry is a highly seasonal industry with bell shaped demand peaking in January / February.

13. Generally, the profit margin on active open camps is significantly higher than on contract camps, but there are higher capitalization costs and more risk.

14. CNC operates the following camps:

    (a) Simonette Lodge - An open camp located west of Fox Creek, Alberta – Nillson

    (b) Berland Lodge - An open camp located east of Fox Creek, Alberta

    (c) Wabasca Lodge - An open camp located in Wabasca - Desmarais, Alberta

    (d) HML - An open camp located in the Anzac, Alberta area.

    (e) Peace River Lodge, Bonnyville Lodge, Cimarron Lodge, Monias Lodge and Wandering River are all temporarily closed.

15. Presently, in the off season, approximately 200 - 300 beds are occupied in the camps at any given time.

<u>CampCorp Structures Inc.</u>

16. CampCorp operates a modular construction manufacturing plant in Winterburn. CampCorp also handles the installation and tear down of contract camps or open camps on relocation.

17. CampCorp owns the shares of CampCorp USA Inc. ("**CampCorp USA**").

18. CampCorp USA is a manufacturing plant located in Arizona that is capable of constructing two-story custom modular commercial units.

19. CampCorp USA was originally unable to sell its modular products in the USA as it had not obtained the necessary permits.

20. Recently, the necessary permits were granted and CampCorp USA is now one of the few entities permitted to sell two-story modular products of its kind in California and Arizona. CampCorp USA has recently obtained a significant profitable construction contract for Ottawa University in Phoenix Arizona.

<u>D. J. Catering Inc.</u>

21. DJ holds five Miscellaneous Land Leases with the government in respect of campsites, including for Simonette and Berland, as well as three undeveloped sites. DJ is also a preferred vendor for a number of clients.

<u>1371047 Alberta Ltd.</u>

22. 137 is primarily a real estate holding company. It owns the Edmonton Office, the Winterburn Yard and the lands on which the Wandering River and Bonnyville camps are located.

<u>816956 Alberta Ltd.</u>

23. 816 owns a farm near St. Albert, Alberta.

24. 816 also owns (directly or indirectly) the shares of:

(a) 137;

(b) Morningstar Golf Club Ltd., an operating golf course on Vancouver Island, B.C;

(c) Spallumcheen Estates Ltd., an operating golf course in the Okanogan, B.C.; and

(d) Carma Software Systems Inc., a company providing technologic services, including to CNC

C. FIRST NATIONS

25. The oil and gas industry in Western Canada often has projects that are on or near First Nations lands.

26. Canada North has a sincere commitment to working with various First Nations, both in terms of partnering for economic development and building community capacity through employment and training.

27. Canada North has had 50/50 partnerships with Bigstone Cree Nation and Heart Lake First Nation for contract camps, whereby CNC provides the camp services and the partnership shares the contract profit.

28. Canada North established a camp and catering training program with Blue Quills First Nations College of St. Paul, Alberta, which is governed by seven Nations.

29. As part of that initiative in 2013, Canada North, along with its fifty percent First Nations partner, donated a camp worth $1.2M to the college. The students in the Camp Life program live in the donated camp and participate in the camp operations, adding practical experience to the training as well as needed accommodations.

30. The Camp Life program is now accepting its 15th cohort into the program. All graduates are offered employment by Canada North. The government has advised us that they have tracked the graduates and there is a 60% long term retention rate for graduates of this program in the camp industry, including with Canada North - which is an excellent result.

31. Canada North also make a concerted effort to hire locally, including First Nations candidates and to provide necessary support and training to build First Nations employment capacity.

D. EMPLOYEES

32. Canada North's key employees are as follows:

- Paul McCracken - President
- Shayne McCracken - Controller
- Kim Capjack - Chief Operating Officer
- Tyler McCracken - Catering management
- Travis McCracken - Forecasting, finances and bidding
- Jaimie Phillips - Finance and Employee Benefits
- Brian Stasynec - Head accountant
- Rob Phillips - CampCorp Manager and Maintenance Supervisor
- Susan Ramsay - Efficiency expert and operations

33. Canada North employees approximately 25 employees at the head office, most of which are long term employees with more than five years of service.

34. CampCorp presently employees approximately 14 people.

35. CNC and DJs employment fluctuates seasonally; however, many employees return season after season. Peak employment numbers for 2013 = 349, 2014 = 377, 2015 = 491, 2016 = 269, 2017 = 190.

36. As set out above, Canada North also employs a significant number of First Nations employees.

E. ASSETS

37. The assets of Canada North, 816 and 137 are primarily comprised of:

(a) The machinery and equipment located at the various camps, yards and manufacturing facilities;

(b) The value of the camps and catering as a going concern business;

(c) Real estate; and

(d) The values of the subsidiaries of 816: Morningstar and Spallumcheen golf courses and Carma Software Systems Inc.

38. As set out in my Confidential Supplemental Affidavit, Canada North has obtained appraisals of the machinery and equipment as a whole, the value of certain camps as going concerns and the value of certain parcels of real estate.

39. Compared to the Indebtedness as set out below, the appraisals contained the Confidential Supplemental Affidavit show that there is significant value in Canada North as a going concern if the present cash flow issues can be addressed.

F. INDEBTEDNESS

40. Canada North is indebted to the CRA for approximately $1,140,000, largely for employee source deductions and GST.

41. Canada North owes its secured creditors approximately the following:

(a)	Canadian Western Bank ("CWB"):	$21,033,797.81
(b)	Business Development Bank Canada:	$2,081,000.00
(c)	Camcork Holdings Ltd.	$375,000.00
(d)	ECN Financial	$2,951,652.73
(e)	Klovansky Contracting	$200,000
(f)	National Leasing	$494,502.68
(g)	Northland Mortgage & Investment Corp	$750,000.00
(h)	Sysco	$1,213,331.20
(i)	Wells Fargo Leasing	$173,411.65
(j)	Weslease Income Growth Fund	$6,000,000

42. Collectively, Canada North owes approximately a further $6,000,000 to its unsecured creditors.

43. Attached as **Exhibit "C"** hereto is a copy of a Forbearance Agreement entered into in respect of the CWB Indebtedness. As indicated on the Forbearance Agreement, the CWB indebtedness is guaranteed by Canada North, 137, 816 and a variety of other subsidiaries and affiliated companies.

44. At the time CWB sought the Forbearance Agreement, Canada North did not (and does not) have payment defaults to CWB.

45. CWB has not issued demands on the Companies or served notices pursuant to s. 244 of the *BIA*.

46. In a number of cases, the Companies have provided guarantees and collateral security for the indebtedness of the other Companies.

47. Each of the Companies is presently insolvent as they are unable to pay their obligations generally as they become due and payable.

G. FINANCIAL INFORMATION

48. Attached hereto as **Exhibit "D"** are the consolidated year-end financial statements for Canada North Group Inc., year-ended September 30, 2016, marked "draft".

49. I understand from the accountant that the financial data in the statements is complete; however, because of the subsequent insolvency of Canada North, finalizing the statements would require significant additional work in the auditor report to the financial statements - at significant expense. As a result, Canada North did not have the audit for the 2016 statements finalized.

50. Attached hereto as **Exhibit "E"** are the consolidated year-end audited financial statements for Canada North Group Inc., year-ended September 30, 2015.

51. Attached hereto as **Exhibit "F"** are the consolidated monthly financial statements for Canada North Group Inc., for the eight month period ended May 31, 2017.

H. CAUSES OF INSOLVENCY

52. In the latter half of 2014, the price of oil collapsed. A barrel of West Texas Intermediate that sold for over $100 US a barrel in June of 2014, only fetched $50 US by the end of 2014 and just over $40 US three months later in March of 2015.

53. The camp industry in Alberta was particularly hard hit.

54. Oil companies cancelled projects and curtailed workforces. There were significantly fewer opportunities for contract camp work and less demand for open camp spaces.

55. Oil companies also required lower prices on services, putting extreme downward pressure on profit margins to the point that some contracts simply couldn't be secured at an economically feasible rate.

56. Oil industry growth drives significant camp work as the growth involves projects that need to be supported by remote workforce housing. From the end of 2014 to the end of 2016, there was very little growth in the oil industry, and, as a result, few opportunities for new camp contracts.

57. As a result, the Companies' revenues fell approximately 50% in the 24 months following the 2014 oil crash.

58. CNRL declined to pay a $1.8M Canada North receivable. Significant cost and efforts were put into negotiating payment with CNRL. Arbitration has been set for this matter for July 7, 2017.

59. The Fort McMurray wildfire began on May 1, 2016 and spread over almost 1.5 million acres before being declared under control on July 5, 2016.

60. HML Lodge was required to shut down and be evacuated.

61. The Wandering River Camp was made available to persons displaced by the fire as it was the right thing to do in the circumstances, but the rates that were charged were heavily subsidized by Canada North, even including contributions from the industry and government. Additionally, we needed to add extra services, like bussing children to school. Our recovery fell significantly short of covering the carrying and operating costs of the camp..

62. TransCanada and Brion Energy Corporation had entered into a four year contract for the Wandering River Camp in connection with the Grande Rapids Pipeline. That contract was cancelled after 18 months.

63. Shell cancelled the Carmen Creek Project, which left the Peace River Lodge unused and resulted in its temporary closure.

64. There was also a tragic incident at the Berland camp on June 30, 2015. A cook's helper, Daniel Goodridge, staying at the camp stabbed and killed Hally Dubois and David Derksen. Goodridge also started the camp on fire resulting in $1M - $2M in damage. As a result the camp had to be closed until October of 2015, resulting in significant loss of revenue. Berland has now been repaired and recovered from this tragedy.

65. The lack of oilfield growth in 2014 and on also led to a steep decline in manufacturing demand from CampCorp and led to the closure of the CampCorp Slave Lake manufacturing facility. Workforces were offered redeployment to the Winterburn yard facility.

66. Canada North had grown quickly in the period leading up to the oil crash in 2014. The initial downturn led to cash flow issues which were temporarily resolved with additional financing, however, these interest rates were often in excess of 20%, eventually compounding the financial difficulties of Canada North.

67. After many years of successful growth, with hindsight, Canada North did not initially recognize the depth and breadth of the financial issues precipitated by the drop in revenue.

68. As a result, since 2015, Canada North has had ongoing cash flow issues.

69. Canada North certainly has an appreciation now for the financial difficulties and is working with due diligence and in good faith to restructure its financial and business affairs for the benefit of its creditors, employees and other stakeholders.

I. RESTRUCTURING EFFORTS PRIOR TO THE NOI FILINGS

Sale of Assets

70. Given the financial difficulties of Canada North, appraisals of various assets and equipment were obtained with a view to determining a path forward involving the sale of certain assets.

71. Those appraisals, as well as certain offers on real estate, are set forth in my Confidential Supplemental Affidavit.

72. As set out in my Confidential Supplemental Affidavit, the Winterburn Yard and the Edmonton Office are both in the process of being sold. The anticipated revenue from the sales of those two parcels will provide a total of approximately $6,500,000 to pay down the CWB Indebtedness after the mortgages and sales adjustments on those properties are made.

Operational Efficiencies

73. In 2015 and 2016, faced with downward pressure on contracts and less available work, Canada North focused on increasing profitability.

74. Through internal efficiency operational changes, CNC was able to increase its profit margins on work by 15%. Canada North further decreased its general and administrative expenses by $2,000,000.

75. The sale of the Winterburn yard and office and consolidation of the operations to a smaller, rented site will further reduce Canada North's general and administrative expenses without impact on operations.

Adjusting Manufacturing Operations

76. As the lack of manufacturing work in the oil industry persisted, the Winterburn yard repositioned itself in the market as a modular producer for custom commercial construction projects.

77. The new manufacturing model is proving successful for Campcorp with the following new contracts:

(a) Saskatoon School Board (approximate gross contract value $1.2M, completed, profit margin approximately 25%); and

(b) Fairview Daycare (approximate gross contract value $1.2M, to be completed, projected profit margin 25%).

Refinancing

78. Canada North has sought and continues to work on a number of refinancing possibilities:

(a) CampCorp USA is seeking refinancing. Alliance Bank in Arizona has confirmed they would be able to refinance but for the collateral security granted by CampCorp USA in respect of Canada North obligations to CWB.

(b) As set out in the Confidential Supplemental Affidavit, Canada North is working with a private equity investor in respect of refinancing and/or selling various aspects of the business.

Professional Assistance

79. CNC also retained Ernie Recsetar to provide restructuring guidance and assistance. Mr. Recsetar is an attorney with expertise in financing and workouts and is ordinarily resident in the U.S.. Attached hereto as **Exhibit "G"** is Mr. Recsetar's resumé.

J. NOI FILINGS

80. On June 26, 2017, each of CNG, CNC, CampCorp and DJ filed a Notice of Intention to Make a Proposal pursuant to Part III of the *Bankruptcy and Insolvency Act*, RSC, 1985, c. B-3 ("*BIA")*. Attached hereto as **Exhibit "H"** are the four certificates of filing (the "**Certificates**").

81. The Companies sought protection under the *BIA* given the enforcement steps taken or anticipated to be taken by a number of creditors, including that the Forbearance Agreement with CWB was set to expire on June 30, 2017 and CWB had advised it would not grant further extensions.

82. Additionally, Wells Fargo Equipment Finance Company issued demands and s. 244 Notices of Intention to Enforce Security under the BIA dated June 6, 2017.

83. The Companies have not filed a Proposal under the *BIA*.

84. Following receipt of the Certificates on June 27, 2017, I am advised by my Counsel that she contacted Counsel for CWB and advised Counsel of the NOI filings and the intention to make an application for an Initial Order under the *Companies' Creditors Arrangement Act*, RSC, 1985, c. C-36.

85. Subsequently, also on June 27, 2017, I deposited $134,000 receivable into the CWB account in the name of Bigstone Tansi GP Inc. and sought a bank draft to pay a CNC invoice owed by Bigstone Tansi GP Inc..

86. Bigstone Tansi GP Inc. is owned jointly by the Bigstone First Nation and by Canada North is the general partner of Bigstone Tansi LP, which is a First Nations partnership between Canada North (49%) and the Bigstone First Nations (49%) and the Bigstone Tansi GP Inc. (1%).

87. Bigstone has been dissolved as the camp contract it was incorporated for has ended and Bigstone's only remaining assets are the money as a result of the accounts receivable from the camp clients.

88. When I sought to transfer funds, the CWB Big Stone account had approximately $134,000 from camp revenue. Those funds were due to CNC for the work that CNC had done in operating the camp. I was advised by the CWB account manager that CWB was holding the funds and would not release them to pay the CNC receivable.

89. CWB has effectively enforced against all of the assets of Bigstone without serving a s. 244 Notice under the *BIA*.

90. Attached hereto as **Exhibit "I"** is an email reply from CWB's counsel in respect of a request that CWB release its seizure of the funds.

K. CASH FLOW PROJECTIONS RESTRUCTURING PLAN

91. Attached as **Exhibit "J"** hereto are the weekly cash flow projections for Canada North for the period ending September 30, 2017 (the "**Cash Flow**"). Based on my knowledge of the financial position of Canada North, and based on the assumptions set out in the Cash Flow, I verily believe that the Cash Flows are fair and reasonable.

92. Canada North is negotiating with BDC in respect of debtor-in-possession financing to address the projected shortfall in the Cash Flow, which is projected to be approximately $400,000 by September 30, 2017.

93. Canada North is seeing a return to normalcy in the demand for its services. This summer, present occupancy at the camps is 300 - 400 mandays (stays per day). The summer of 2016 saw approximately 50 mandays.

94. Canada North's projections for occupancy in the upcoming fall/winter season are also extremely promising based on the following:

(a) The Berland and Simonette camps are located in areas high in enriched liquids gas resources. Demand for these resources (through fracking and other means) continues to be high and Berland and Simonette will see high demand in the 2017 / 2018 season as a result.

(b) The Simonette camp is also located near the construction of the Pembina Pipeline, which is creating high remote workforce housing demands in the area.

(c) The Keyera Plant is entering long term bookings for Simonette as they fear Simonette will book out.

(d) The Peace River camp is scheduled to be reopened shortly as there is a new bridge being built in the vicinity. The contract arising from this work is expected to last two years or so.

(e) The Wabasca camp is seeing high demand as the other camps in the area did not survive the downturn and there is less supply as a result.

95. The Companies plan to restructure by:

(a) Selling real estate, including the Edmonton office, the Edmonton yard, the Arizona property and applying the net proceeds to debt;

(b) Potentially selling certain camps as going concerns, including, potentially Simonette and Berland;

(c) Seeking to adjust terms of its equipment financing, including by extending amortization or adjusting interest terms;

(d) Seeking refinancing or an equity partner as discussed in more detail in the Confidential Supplemental Affidavit to address the debt and cash flow issues;

(e) Continue to operate generally as a going concern, particularly with the improvement in economic conditions in Alberta and the improved prospects for CampCorp and CampCorp USA.

96. Based on the Cash Flow and the other information contained herein, I believe that given a reasonable period of time to reorganize the financial affairs of the Companies, there is a strong prospect that the Companies will be able to file a viable Plan of Arrangement.

L. **PROPOSED MONITOR AND ADMINISTRATION CHARGE**

97. I believe that Ernst & Young Inc. is qualified and able to act as Monitor of Canada North, 816 and 137 in *CCAA* proceedings. Ernst & Young Inc. is not the auditor of Canada North, 816 or 137.

98. The Initial Order contemplates an Administration Charge against the assets of the Companies. I believe that the professionals whose fees are protected by the Administration Charge are required by the Companies in order for there to be a successful restructuring.

M. **Conclusion**

99. I swear this Affidavit in support of an application for an Initial Order under the *CCAA* for the Companies.

SWORN BEFORE ME at Edmonton, Alberta, this 28th day of June, 2017	
A Commissioner for Oaths in and for Alberta	SHAYNE McCRACKEN

Stephanie A. Wanke
Barrister & Solicitor

TAB C

Clerk's Stamp

JUDICIAL CENTRE OF EDMONTON 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**

PROPOSED MONITOR

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

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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".

Proposed Monitor's review of both the Initial and Revised Projection

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.

Administration Charge

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.

Directors' Charge

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.

DIP Charge

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)	(917,046)	(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	35,918	56,545	215,223	12,491	2,411,734	Note 6
Collections - catering forecast													265,562	259,361	295,561	820,585	Note 7
Collections - construction	-	-	-	-	-	-	-		6,000	198,529	-	5,000	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	23,800	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	1,055,000	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	54,446	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	13,335	
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	473	470	473	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	35,223	24,456	500,345	Note 17
TOTAL CASH OUTFLOWS	181,518	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	534,105		

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.

TAB D

CANADA NORTH CAMPS & CNC STRUCTURES

CCS

Buyer:	Reliant Asset Management, LLC 2900 S Quincy Street, Suite 300 Arlington, VA 22206

Seller:	Canada North Camps Inc. 14238 – 134 Ave. Edmonton, AB T5L 5V8

Effective Date: September 29, 2014

Goods or services to be provided: Canada North Camps Structures Ltd. ("CNC") shall furnish the goods described below at the price or prices set forth opposite each item within the times stated below in accordance with the terms and provisions of this Purchase Order.

Description of Goods Item No.	Quantity	Unit Price	Total
12 UNIT KDR (6 UNIT KITCHEN, 6 UNIT REC) SERIAL #: WB5UK201338 001-006 FXCEGNT6U201326 001-006	1	$2,100,000.00	$2,100,000.00
30 MAN SKIDDED DORMS SERIAL #: FX30D201342 001-008 FX30D201341 001-008	2	$975,000.00	$1,950,000.00
			$4,050,000.00

Payment is due in full by October 3, 2014.
Shipping to Monias South Lodge will be the responsibility of the Kilometer 147 Partnership.

Taxes are additional.

The following documents will be used in reference to this this contract:
CampCorp 30 Person Dorm Floor Plan
CampCorp 30 Bed Skidded Dorm Specifications
12 Unit KDR Specifications to be provided.

Terms and Conditions of Contract accepted by Buyer including terms on the following page.

THE PURCHASE ORDER IS SUBJECT TO THE FOLLOWING PROVISIONS AND SUCH TERMS AND CONDITIONS ARE INCORPORATED HEREIN

1. **No Alteration.** The contract formed based upon this Purchase Order is expressly limited to the terms and conditions contained herein. No alteration of any of the terms, conditions, delivery arrangements, price, quality, quantities, or specifications of this Purchase Order will be effective without the express written consent of CNC.

2. **Payment.** CNC shall be paid within thirty (30) days after Buyer has received the invoice for goods or services supplied by CNC. All invoices remaining unpaid for a period of thirty (30) days following issuance shall accrue interest at a rate of 1.5% per month. Buyer agrees to pay all reasonable fees, including solicitor client costs, and interest associated with the collection of accounts past due. Upon acceptance of this Purchase Order and entering into a contract, and prior to commencing construction of the goods, the Buyer shall provide a non-refundable deposit in an amount equal to 20% of the purchase price set forth in the Purchase Order.

3. **Changes to Price.** CNC reserves the right at any time to make changes to the price based on changes to any one or more of the following: (a) specifications, drawings, and data incorporated in this Purchase Order where the items to be furnished are to be specifically manufactured by CNC; (b) methods of shipment and packing; (c) place of delivery; and (d) time of delivery. If any such change causes an increase or decrease in the price set forth in this Purchase Order, a new Purchase Order will be issued.

4. **Shipping Instructions.** Unless otherwise specified, goods are to be shipped prepaid F.O.B. Edmonton.

5. **Inspection.** Goods purchased hereunder are subject to the inspection and approval at Buyer's destination by Buyer, even though payment may have been made for the goods prior to their arrival. Any such inspection shall occur at the shipping destination, prior to the delivery truck departing. Should any deficiencies be noted in the goods inspected, all such deficiencies shall be noted and agreed to by CNC and the Buyer. Buyer reserves the right to reject and refuse to accept goods which are not in accordance with the requirements of this Purchase Order. The Buyer is responsible for all costs of inspecting goods.

6. **Warranty.** CNC warrants the goods furnished hereunder will be in full conformity with any specifications, drawings, and performance data provided by Buyer, CNC's samples, and all other requirements specified by the terms and conditions of this Purchase Order, including such terms and conditions as are incorporated by reference in this Purchase Order, and that the goods furnished hereunder will be of merchantable quality and fit for the uses intended by Buyer.

7. **Risk of Loss.** CNC assumes the risk of loss of all goods until tendered to Buyer's possession at the destination specified in this Purchase Order.

8. **Compliance with Laws.** CNC represents that it has complied, and will continue to comply during the performance under this Purchase Order, with all federal, provincial and local laws and regulations from which liability may accrue to the Buyer from any violation thereof.

9. **Title.** CNC warrants that the goods subject to this Purchase Order are free and clear of all liens and encumbrances whatsoever, and that CNC shall have good and marketable title to same, and agrees to defend and hold the Buyer free and harmless against any and all claimants to the goods which are the subject of this Purchase Order.

10. **Cancellation.** The Buyer may terminate this Purchase Order for cause in the event that CNC materially breaches the terms of this Purchase Order. Notwithstanding the foregoing, in the event that the Purchase Order is cancelled for any reason other than cause, in addition to the non-refundable deposit set out in section 2, the Buyer

agrees to pay damages equal to the costs incurred by CNC up until the date of termination, plus all reasonable solicitor client costs associated with the collection of such fees.

11. **Confidentiality.** The Buyer agrees and acknowledges that all blueprints, drawings, specifications, plans, and any other documents related to the design, manufacture and/or construction of the units are confidential information of, and proprietary to CNC, and all copies thereof shall remain with CNC. The Buyer agrees not to disclose any confidential information of CNC.

12. **Law.** This Purchase Order is made and will be construed according to the laws of the Province of Alberta and the federal laws of Canada applicable therein.

13. **Entire Agreement.** This Purchase Order, together with any documents attached hereto and/or incorporated herein constitutes the entire agreement between the parties, and supersedes all previous communications between them, either oral or written, including without limitation the Quotation.

Seller	*Buyer*
By: Mike McInnis	By:
Its: COO Date: 9/29/14	Its: Date:

CANADA NORTH CAMPS & CNC STRUCTURES

CCS

Buyer:	Reliant Asset Management, LLC 2900 S Quincy Street, Suite 300 Arlington, VA 22206

Seller:	Canada North Camps Inc. 14238 – 134 Ave. Edmonton, AB T5L 5V8

Effective Date: September 29, 2014

Goods or services to be provided: Canada North Camps Structures Ltd. ("CNC") shall furnish the goods described below at the price or prices set forth opposite each item within the times stated below in accordance with the terms and provisions of this Purchase Order.

Description of Goods Item No.	Quantity	Unit Price	Total
4 UNIT REC SERIAL #: FX4UREC201333 001-004	1	$450,000.00	$450,000.00
6 UNIT REC SERIAL #: FX6UR201319 001-006	1	$750,000.00	$750,000.00
			$1,200,000.00

Payment to be made in full by October 3, 2014.
Shipping to Monias South Lodge will be the responsibility of the Kilometer 147 Partnership.

Taxes are additional.

The following documents are to be provided by CampCorp and will be used in reference to this contract:
4 Unit Rec Specifications
6 Unit Rec Specifications

Terms and Conditions of Contract accepted by Buyer including terms on the following page.

THE PURCHASE ORDER IS SUBJECT TO THE FOLLOWING PROVISIONS AND SUCH TERMS AND CONDITIONS ARE INCORPORATED HEREIN

1. **No Alteration.** The contract formed based upon this Purchase Order is expressly limited to the terms and conditions contained herein. No alteration of any of the terms, conditions, delivery arrangements, price, quality, quantities, or specifications of this Purchase Order will be effective without the express written consent of CNC.

2. **Payment.** CNC shall be paid within thirty (30) days after Buyer has received the invoice for goods or services supplied by CNC. All invoices remaining unpaid for a period of thirty (30) days following issuance shall accrue interest at a rate of 1.5% per month. Buyer agrees to pay all reasonable fees, including solicitor client costs, and interest associated with the collection of accounts past due. Upon acceptance of this Purchase Order and entering into a contract, and prior to commencing construction of the goods, the Buyer shall provide a non-refundable deposit in an amount equal to 20% of the purchase price set forth in the Purchase Order.

3. **Changes to Price.** CNC reserves the right at any time to make changes to the price based on changes to any one or more of the following: (a) specifications, drawings, and data incorporated in this Purchase Order where the items to be furnished are to be specifically manufactured by CNC; (b) methods of shipment and packing; (c) place of delivery; and (d) time of delivery. If any such change causes an increase or decrease in the price set forth in this Purchase Order, a new Purchase Order will be issued.

4. **Shipping Instructions.** Unless otherwise specified, goods are to be shipped prepaid F.O.B. Edmonton.

5. **Inspection.** Goods purchased hereunder are subject to the inspection and approval at Buyer's destination by Buyer, even though payment may have been made for the goods prior to their arrival. Any such inspection shall occur at the shipping destination, prior to the delivery truck departing. Should any deficiencies be noted in the goods inspected, all such deficiencies shall be noted and agreed to by CNC and the Buyer. Buyer reserves the right to reject and refuse to accept goods which are not in accordance with the requirements of this Purchase Order. The Buyer is responsible for all costs of inspecting goods.

6. **Warranty.** CNC warrants the goods furnished hereunder will be in full conformity with any specifications, drawings, and performance data provided by Buyer, CNC's samples, and all other requirements specified by the terms and conditions of this Purchase Order, including such terms and conditions as are incorporated by reference in this Purchase Order, and that the goods furnished hereunder will be of merchantable quality and fit for the uses intended by Buyer.

7. **Risk of Loss.** CNC assumes the risk of loss of all goods until tendered to Buyer's possession at the destination specified in this Purchase Order.

8. **Compliance with Laws.** CNC represents that it has complied, and will continue to comply during the performance under this Purchase Order, with all federal, provincial and local laws and regulations from which liability may accrue to the Buyer from any violation thereof.

9. **Title.** CNC warrants that the goods subject to this Purchase Order are free and clear of all liens and encumbrances whatsoever, and that CNC shall have good and marketable title to same, and agrees to defend and hold the Buyer free and harmless against any and all claimants to the goods which are the subject of this Purchase Order.

10. **Cancellation.** The Buyer may terminate this Purchase Order for cause in the event that CNC materially breaches the terms of this Purchase Order. Notwithstanding the foregoing, in the event that the Purchase Order is cancelled for any reason other than cause, in addition to the non-refundable deposit set out in section 2, the Buyer

agrees to pay damages equal to the costs incurred by CNC up until the date of termination, plus all reasonable solicitor client costs associated with the collection of such fees.

11. **Confidentiality.** The Buyer agrees and acknowledges that all blueprints, drawings, specifications, plans, and any other documents related to the design, manufacture and/or construction of the units are confidential information of, and proprietary to CNC, and all copies thereof shall remain with CNC. The Buyer agrees not to disclose any confidential information of CNC.

12. **Law.** This Purchase Order is made and will be construed according to the laws of the Province of Alberta and the federal laws of Canada applicable therein.

13. **Entire Agreement.** This Purchase Order, together with any documents attached hereto and/or incorporated herein constitutes the entire agreement between the parties, and supersedes all previous communications between them, either oral or written, including without limitation the Quotation.

Seller	*Buyer*
By: Mike McInnis	By:
Its: COO Date: 9/30/14	Its: Date:

TAB E

COURT FILE NUMBER: 1703 12327

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 667402 ALBERTA LTD., 18512398 ALBERTA LTD., 816956 ALBERTA LTD., 1371047 ALBERTA LTD., 1919209 ALBERTA LTD., AND CANADA NORTH GROUP HOLDINGS LTD.

Questioning of **BARRY ROMAN** pursuant to Rule 6.8 of Alberta Rules of Court, taken at the offices of Duncan Craig LLP, Barristers & Solicitors, 2800, 10060 Jasper Avenue, Edmonton, Alberta, commencing at 8:30 a.m., on December 6, 2018.

See next page for appearances.

D.C. McAllister McAllister LLP 2500, 10155 - 102 Street Edmonton, Alberta T5J 4G8 780.425.2500	For 726 Modular Finance Ltd., 726 Remote Accommodations, Ltd., and Reliant Asset Management, LLC
C. Nicholson Z. Han Jensen Shawa Solomon Duguid Hawkes LLP 800, 304 - 8 Avenue S.W. Calgary, Alberta T2P 1C2 403.571.1520	For 726 Modular Finance Ltd., 726 Remote Accommodations, Ltd., and Reliant Asset Management, LLC
C. Russell, Q.C. McLennan Ross LLP 600, 12220 Stony Plain Road Edmonton, Alberta T5N 3Y4 780.482.9200	For Canadian Western Bank
D.R. Bieganek, Q.C. Duncan Craig LLP 2800, 10060 Jasper Avenue Edmonton, Alberta T5J 3V9 780.428.6036	For Ernst & Young as Monitor
S.L. Delblanc Bryan & Company LLP 2600, 10180 - 101 Street Edmonton, Alberta T5J 3Y2	For Paul McCracken
Sharon Hayes, CSR(A)	Court Reporter

they are.
Q Canada North, when did you first get to meet or when did you first meet Paul McCracken?
A In -- I believe sometime in mid-summer of '14.
Q Okay.
A Maybe a little earlier.
Q My understanding from him is that it occurred sometime -- well, as a result of the floods which occurred down in southern Alberta. There was -- you had some assets there, and he got to meet you through that; is that fair? Correct?
A I -- yes.
Q At some point, you engaged in discussions with Mr. McCracken about doing business together?
A Correct.
Q So how did these discussions come about? Whose idea was it to engage in business with one another?
A It was joint.
Q Okay. The discussion entailed setting up some camps?
A Initially entailed us leasing assets to them or one of their entities to then sublease to oil and gas companies for either part of a camp or -- initially it wasn't a whole camp. It was just parts of ones.
Q Okay. As part of your leasing arrangements or discussions, would you have done some due diligence on the Canada North Group?
A Yes.

Q Did they have to make a funding application to your organization?
A I reviewed their financials.
Q Can you recall if they were consolidated financials at the time?
A I believe so, but I cannot recall.
Q Okay. Did you put together a due diligence package or have ready access to that package still today?
A I do not.
Q What would have happened to that information?
A I still have some financial statements from them, yes.
Q Okay. What period of time would those financial statements be for, Mr. Roman?
A I believe their year end was September 30th, and I believe I have seen fiscal year end 2013, 2014, and 2015, I think, later on.
Q These partnership arrangements -- and I'll get to those in a minute -- went into place late 2014, early 2015?
A Correct, end of '14, early '15, yes.
Q The discussions started in the summertime?
A Correct. Yes, fall.
Q Can you undertake for me, Mr. Roman, to review your records and produce for me the financial statements and any other financial information that you have in your possession pertaining to the Canada North Group arising out of these discussions; in particular, the financial statements you've just referred to?

A Yes.
Q Along with any other documents that you have pertaining to Canada North's financial status as at that time?
MR. McALLISTER: Best efforts.
(DISCUSSION OFF RECORD)
MR. BIEGANEK: Do you want to confirm that, Mr. McAllister?
MR. McALLISTER: Again, to confirm the undertaking, 726 group will have a look at its records and on a best efforts basis produce the 2013 through 2015 financial statements provided by Canada North Group, along with any other finance strength-related documentation it can find leading up to and including December 2014.

UNDERTAKING NO. 1:

MAKE BEST EFFORTS TO PRODUCE THE 2013, 2014, AND 2015 FINANCIAL STATEMENTS PROVIDED BY CANADA NORTH GROUP, ALONG WITH ANY OTHER FINANCE STRENGTH-RELATED DOCUMENTATION LEADING UP TO AND INCLUDING DECEMBER 2014

Q MR. BIEGANEK: Now, in respect of the partnership structures, who proposed that the venture be set up through partnership mechanism?
A I do not recall if it was their attorneys or our folks.
Q Okay. But ultimately, there were four partnerships or limited partnerships that were established, and I think the four of them were, just so we're clear on the

TAB F

Consolidated Financial Statements

CANADA NORTH GROUP INC.

September 30, 2013

Pennock Acheson Nielsen Devaney

Pennock Acheson Nielsen Devaney
Chartered Accountants

2201 Toronto Dominion Tower
10088 - 102 Avenue
Edmonton, Alberta T5J 2Z1

Telephone: (780) 496-7774
Facsimile: (780) 423-0582

Independent Auditor's Report

To the Shareholder of **Canada North Group Inc.**

We have audited the accompanying consolidated financial statements of **Canada North Group Inc.**, which comprise the consolidated balance sheet at September 30, 2013 and the consolidated statements of earnings, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of **Canada North Group Inc.** as at September 30, 2013 and the consolidated results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Pennock Acheson Nielsen Devaney

Chartered Accountants

December 20, 2013

CANADA NORTH GROUP INC.
Consolidated Balance Sheet
As at September 30, 2013

	2013	2012
ASSETS		
CURRENT		
Cash	$ 3,522,517	$ 699,423
Accounts receivable	22,089,055	17,395,340
Accrued receivables and work in process	3,481,201	789,880
Inventories	3,145,382	825,564
Prepaid expenses	753,095	304,057
	32,991,250	20,014,264
PROPERTY, PLANT AND EQUIPMENT (Note 3)	23,929,623	17,348,925
DUE FROM RELATED PARTY (Note 4)	2,416,134	403,143
GOODWILL	1,132,305	1,132,305
DEVELOPMENT COSTS	409,334	614,000
	$ 60,878,646	$ 39,512,637
LIABILITIES		
CURRENT		
Short-term borrowings (Note 5)	$ 12,075,692	$ 9,412,696
Accounts payable and accrued liabilities	14,832,982	4,953,072
Income taxes payable	1,718,205	768,793
Current portion of long-term debt (Note 6)	2,601,000	2,107,824
Deferred revenue	1,807,058	6,068,274
	33,034,937	23,310,659
Demand debt due beyond one year (Note 6)	4,101,303	3,281,940
	37,136,240	26,592,599
LONG-TERM DEBT (Note 6)	2,731,093	1,994,751
FUTURE INCOME TAXES	1,450,000	1,268,600
	41,317,333	29,855,950
CONTINGENCIES AND COMMITMENTS (Note 7)		
SUBSEQUENT EVENTS (Note 9)		
SHAREHOLDER'S EQUITY		
Share capital (Note 8)	175	175
Non-controlling interest (Note 4)	4,527,283	814,792
Retained earnings	15,033,855	8,841,720
	19,561,313	9,656,687
	$ 60,878,646	$ 39,512,637

CANADA NORTH GROUP INC.
Consolidated Statement of Earnings and Retained Earnings
Year Ended September 30, 2013

	2013	2012
REVENUE		
Camp, catering and rentals	$ 69,825,988	$ 40,440,153
Manufacturing and construction	36,242,024	12,722,834
	106,068,012	53,162,987
COST OF GOODS SOLD		
Camp, catering and rentals	43,881,500	26,690,795
Manufacturing and construction	33,252,375	9,711,179
	77,133,875	36,401,974
GROSS PROFIT	28,934,137	16,761,013
GENERAL AND ADMINISTRATIVE	11,638,775	8,094,069
EARNINGS FROM OPERATIONS	17,295,362	8,666,944
OTHER EXPENSE		
Depreciation and amortization	3,191,934	2,247,486
Interest on long-term debt	712,497	406,766
	3,904,431	2,654,252
NET EARNINGS BEFORE THE FOLLOWING	13,390,931	6,012,692
NON-CONTROLLING INTEREST	5,305,271	1,164,792
NET EARNINGS BEFORE INCOME TAXES	8,085,660	4,847,900
INCOME TAXES		
Current income taxes	1,712,125	768,678
Future income taxes	181,400	527,600
	1,893,525	1,296,278
NET EARNINGS	6,192,135	3,551,622
RETAINED EARNINGS, BEGINNING OF YEAR	8,841,720	5,290,098
RETAINED EARNINGS, END OF YEAR	$ 15,033,855	$ 8,841,720

CANADA NORTH GROUP INC.
Consolidated Statement of Cash Flows
Year Ended September 30, 2013

	2013	2012
OPERATING		
Cash received from customers	$ 98,682,976	$ 46,166,735
Cash paid to suppliers	(85,615,446)	(42,118,515)
Interest paid	(1,017,356)	(720,128)
Income taxes paid	(762,713)	(1,012,292)
Cash generated from operations	11,287,461	2,315,800
INVESTING		
Purchase of property, plant and equipment	(9,250,102)	(8,236,068)
FINANCING		
Proceeds of long-term borrowings	4,193,250	6,296,931
Repayment of long-term borrowings	(2,464,740)	(5,898,030)
Proceeds from short-term borrowings, net	2,662,996	7,317,399
Advances to non-controlling interests	(1,592,780)	(722,156)
Advances to related party	(2,012,991)	(374,453)
Cash generated from financing activities	785,735	6,619,691
INCREASE IN CASH FLOW	2,823,094	699,423
CASH, BEGINNING OF YEAR	699,423	-
CASH, END OF YEAR	$ 3,522,517	$ 699,423

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

Nature of Business

Canada North Group Inc. is a leading provider of remote camp accommodations and food services and a manufacturer of modular workforce facilities primarily for the oil and gas industry in Canada.

Basis of Presentation

The consolidated financial statements have been prepared in accordance with Canadian accounting standards for private enterprises. The consolidated financial statements represent the consolidated results of the Company and its wholly-owned subsidiaries Canada North Camps Inc., DJ Catering Ltd., Canada North Structures Inc., Campcorp Structures Ltd. (including its wholly-owned subsidiary Campcorp USA Inc.) and its 50% interest in controlled entities PDCNC Limited Partnership, Bigstone Tansi Resources Limited Partnership, HML Lodge Limited Partnership and OMNI Proactive Services Inc. All intercompany transactions and balances have been eliminated.

The preparation of consolidated financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

2. SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in banks, cash on hand and borrowings of a short-term nature through revolving bank facilities.

Inventories and Work in Process

Food products, eating supplies, raw materials and work in process are valued at lower of cost or net realized value.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Repairs and maintenance expenditures that do not extend the useful life or improve the efficiency of the asset are expensed. Depreciation is provided by the Company at rates determined to depreciate the cost of the assets over their estimated useful lives as follows:

Camp trailers	10% declining balance method
Equipment	20% declining balance method
Buildings	10 % declining balance method
Automotive	30% declining balance method
Leasehold improvements	10 year straight line method
Parking lot	8% declining balance method
Computer hardware and software	30% - 50% declining balance method
Linens	50% declining balance method

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Development Costs

Development costs are factory costs incurred prior to the commencement of commercial production that are written-off over 36 months.

Goodwill

The excess cost of assets acquired over the fair value of the identifiable assets acquired is recorded as goodwill. The value of goodwill of individual reporting units is assessed when events occur which may indicate that there has been impairment in the value. Goodwill is assessed by comparing the fair value of a reporting unit to the carrying value of its net assets. Where carrying value exceeds fair value, the carrying value is written down to equal fair value. Fair value of a reporting unit is determined by reference to discounted cash flow estimates, or other methods such as reference to recent market transactions involving similar assets.

Future Income Taxes

The Company uses the liability method of accounting for income taxes. Under this method, temporary differences arising between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate the future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse.

Revenue Recognition

The Company records revenue from camp, catering and rentals when the services are performed. The Company records revenue from construction on a percentage of completion basis based on the ratio of costs incurred to date over estimated total costs. All losses are recognized when known and all revenues are recognized only when collection is reasonably assured.

Financial Instruments

The Company's financial instruments recognized in the balance sheet consists of cash, accounts receivable, accrued receivables, due from related party, short-term borrowings, accounts payable and long-term debt. Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in earnings. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments that are measured at fair value are expensed when incurred.

Foreign Currency Translation

The Company translates foreign currency denominated transactions and the financial statements of integrated foreign operations using the temporal method. Monetary assets and liabilities are translated at year-end rates. Non-monetary assets and liabilities are translated at rates in effect on the dates of the transactions. Income and expenses are translated at historic rates. Exchange gains and losses on translation of monetary assets and liabilities are reflected in income immediately.

3. PROPERTY, PLANT AND EQUIPMENT

	2013			2012
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	$ 71,841	$ -	$ 71,841	$ 71,841
Camp trailers	24,333,931	8,330,249	16,003,682	9,820,542
Equipment	4,569,366	2,032,160	2,537,206	2,357,276
Buildings	2,853,059	709,955	2,143,104	2,381,227
Automotive	3,697,811	2,174,810	1,523,001	1,124,251
Leasehold improvements	1,576,291	467,966	1,108,325	1,176,934
Parking lot	198,560	82,883	115,677	125,737
Computer hardware and software	707,114	363,607	343,507	153,048
Linens	457,886	374,606	83,280	138,069
	$ 38,465,859	$ 14,536,236	$ 23,929,623	$ 17,348,925

Included in the above are camp trailers, automotive, and equipment assets under capital lease with a net book value of $999,331.

4. DUE FROM RELATED PARTY AND RELATED PARTY TRANSACTIONS

(i) $2,416,134 (2012 - $403,143) due from 1371047 Alberta Ltd., a company related through common ownership, is non-interest bearing and has no specific repayment terms.

(ii) The Company has paid amounts to the following entities related through common ownership.

		2013	2012
1371047 Alberta Ltd.	- Facility rental	$ 932,500	$ 780,000
816956 Alberta Ltd.	- Yard rental	187,498	180,000
758431 Alberta Ltd.	- Equipment rental	100,324	138,000
Carma Golf Systems Inc.	- Software support	500,000	-
		$ 1,720,322	$ 1,098,000

All transactions occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration agreed to by the related parties. Included in accounts payable and accrued liabilities is $947,500 due to these related parties.

(iii) Non-controlling interest is comprised of the following:

	2013	2012
PDCNC Limited Partnership	$ 597,705	$ 545,092
OMNI Protective Services Inc.	2,544,027	269,700
Bigstone Tansi Resources Limited Partnership	90,897	-
HML Lodge Limited Partnership	1,294,654	-
	$ 4,527,283	$ 814,792

Consolidated earnings and retained earnings have been reduced by the partners' 50% share.

5. SHORT-TERM BORROWINGS

Canadian Western Bank short-term demand operating borrowings authorized to $19,000,000 bearing interest at bank prime plus 1.5% on $15,000,000 and prime plus 2.0% on a limited $4,000,000 operating line. These loans in addition to term debt outlined in Note 6 are secured by a general security agreement, director life insurance, $6,500,000 limited guarantees from the shareholder and directors supported by a $1,285,000 first charge mortgage on shareholder personal property, and by property held by an entity under common control.

The Canadian Western Bank requires the Company to meet certain debt service, debt to equity and minimum equity covenants. During the year the Company failed to meet certain minimum equity requirements which was subsequently rectified and at September 30th 2013 the Company was in compliance with these covenants.

6. LONG-TERM DEBT

	2013	2012
Canadian Western Bank demand term loans authorized to $7,275,000 repayable in monthly payments of approximately $150,000 plus interest at prime plus 1.25% with various maturities between May 2016 and January 2017 secured as set out in Note 5.	$ 5,868,208	$ 4,310,605
Canadian Western Bank construction financing loan, interest only to July 2014, amortized thereafter over 9 years secured as set out in Note 5.	1,200,000	-
Canadian Western Bank demand loans repayable in monthly payments of $4,396 including interest at varying rates between 7.05% and 7.95%, maturing December 2013 and March 2016 and secured as set out in Note 5	80,226	125,626
Equipment financing repayable in monthly instalments of $25,000 bearing no interest.	1,350,000	1,650,000
Capital lease agreements for equipment bearing interest averaging 8% repayable in blended monthly payments of $62,553 secured by specific equipment, maturing between 2014 and 2018.	878,369	1,256,398
Other equipment financing	56,593	41,886
	9,433,396	7,384,515
Less current portion of long-term	(2,601,000)	(2,107,824)
Less demand debt maturing beyond one year	(4,101,303)	(3,281,940)
	$ 2,731,093	$ 1,994,751

Estimated principal repayments due in the next five years are as follows: 2014 - $2,601,196, 2015 - $2,524,658, 2016 - $2,607,030, 2017 - $747,917, 2018 - $248,819.

6. LONG-TERM DEBT (Continued)

Capital lease repayments included in the above are as follows:

	Principal	Interest	Total
2014	$ 370,834	$ 65,131	$ 435,965
2015	239,725	29,550	269,275
2016	129,843	9,347	139,190
2017	82,712	3,046	85,758

7. CONTINGENCIES AND COMMITMENTS

(i) The Company is committed to lease equipment annually of approximately $1,200,000.

(ii) The Company guarantees a mortgage for $3,929,000 on the Company's main operating facility owned by 1371047 Alberta Ltd. (a related party Note 4).

(iii) In the normal course of business the Company sometimes is named as a defendant in litigation. The Company has no outstanding claims that would have a material impact on these financial statements.

(iv) Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the Company's cash requirements. Additional cash requirements are met with the use of the available short-term borrowings and term loans. The short-term borrowings and certain term loans bear interest which fluctuates with the prime, exposing the Company to interest rate fluctuations. The Company monitors interest rates and elects to fix rates to minimize interest rate fluctuation risks. A substantial portion of the Company's accounts receivable are with customers in the oil and gas industries and are subject to normal industry credit risks. The Company earned revenue from three customers comprising approximately 77% (2012 – 81%) of total revenue. The Company does not have any significant risk with respect to accounts receivable to a single customer due to the excellent quality of its major customers. The Company has exposure to foreign currency fluctuations, and will hedge the currency if management deems it appropriate.

8. SHARE CAPITAL

	2013	2012
Authorized:		
Class A, B, C, D and E common shares		
Issued:		
10,000 Class A common voting	$ 175	$ 175

9. SUBSEQUENT EVENTS

Subsequent to the year-end the Company received approximately $2,700,000 in equipment financing on conventional terms.

TAB G

BILL OF SALE

THIS BILL OF SALE made effective December __, 2014.

BY:

CANADA NORTH CAMPS INC.
an Alberta corporation
(the "Vendor")

- in favour of -

726 REMOTE ACCOMMODATIONS, LTD.
a British Columbia corporation
(the "Purchaser")

IN CONSIDERATION of payment of the sum of Twenty Million ($20,000,000.00) Dollars, plus GST by the Purchaser to the Vendor, the receipt and sufficiency of which is hereby acknowledged by the Vendor, the Vendor absolutely transfers and conveys unto the Purchaser the equipment, installation, setup and startup costs, more particularly described on Schedule "A" attached hereto (collectively the "Equipment").

1. The Vendor covenants with the Purchaser that:

   (a) it is now rightfully and absolutely possessed of the Equipment and has the right to transfer and convey the Equipment to the Purchaser;

   (b) the Purchaser shall enjoy quiet possession of the Equipment;

   (c) the Vendor will do and execute all such further acts, deeds and assurances with respect to the Equipment that the Purchaser may reasonably request;

   (d) the Equipment is free from any charge, lien, claim, mortgage, security interest or encumbrance of any kind; and

   (e) the Equipment is transferred on an as-is, where is basis, with no representations or warranties of any kind.

2. This Bill of Sale shall be governed by the laws of the Province of Alberta.

3. This Bill of Sale may be executed in counterparts and each such counterpart shall together constitute one and the same document. An executed copy of this Bill of Sale transmitted by email or facsimile shall have the same force and effect as an originally executed document.

IN WITNESS WHEREOF the parties hereto have executed this Bill of Sale as of the date first written above.

CANADA NORTH CAMPS INC.

Per: ______________________

726 REMOTE ACCOMMODATIONS, LTD.

Per: ______________________

SCHEDULE "A"

EQUIPMENT

See attached

Schedule A

Bonnyville West

SERIAL NUMBERS

3 WELLSITES

116 Wellsite

118 Wellsite

201323001SSSL Wellsite

22 UNIT KDR

CCSLKS076 Kitchen Storage

260072575 Kitchen

260072576 Kitchen

260072577 Kitchen

CCSLKD077 Kitchen Diner

CCSLKD078 Kitchen Diner

CCSLKD079 Kitchen Diner

FX11UD201318001 Diner

FX11UD201318002 Kitchen Diner

FX11UD201318003 Kitchen Diner

FX11UD201318004 Diner

FX11UD201318005 Diner

FX11UD201318006 Diner

FX11UD201318007 Diner

FX11UD201318008 Diner

FX11UD201318009 Diner

FX11UD201318010 KDR Diner

FX11UD201318011 Diner

FX4UK201324001 Kitchen

FX4UK201324002 Kitchen

FX4UK201324003 Kitchen

FX4UK201324004 Kitchen

1 DORM

FX30201305001 Dorm 30 Room

FX30201305002 Dorm 30 Room

FX30201305003 Dorm 30 Room

FX30201305004 Dorm 30 Room

FX30201305005 Dorm 30 Room

FX30201305006 Dorm 30 Room

FX30201305007 Dorm 30 Room

FX30201305008 Dorm 30 Room

6 J&J DORMS

Bonnyville West

SERIAL NUMBERS

270085789 FH J&J Dorm 1
265085790 FH J&J Dorm 1
265085791 FH J&J Dorm 1
270085792 FH J&J Dorm 1
270085793 FH J&J Dorm 1
265085794 FH J&J Dorm 1
265085795 FH J&J Dorm 1
270085796 FH J&J Dorm 1

270085798 FH J&J Dorm 2
260585799 FH J&J Dorm 2
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270085823 FH J&J Dorm 4

Bonnyville West

SERIAL NUMBERS

270085825 FH J&J Dorm 5
265085826 FH J&J Dorm 5
265085827 FH J&J Dorm 5
270085828 FH J&J Dorm 5
270085829 FH J&J Dorm 5
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265085839 FH J&J Dorm 6
265085840 FH J&J Dorm 6
270085841 FH J&J Dorm 6

Installation, setup and startup costs

TAB H

COURT FILE NUMBER: 1703 12327

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 667402 ALBERTA LTD., 18512398 ALBERTA LTD., 816956 ALBERTA LTD., 1371047 ALBERTA LTD., 1919209 ALBERTA LTD., AND CANADA NORTH GROUP HOLDINGS LTD.

Questioning of **BARRY ROMAN** pursuant to Rule 6.8 of Alberta Rules of Court, taken at the offices of Duncan Craig LLP, Barristers & Solicitors, 2800, 10060 Jasper Avenue, Edmonton, Alberta, commencing at 8:30 a.m., on December 6, 2018.

See next page for appearances.

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For 726 Modular Finance Ltd., 726 Remote Accommodations, Ltd., and Reliant Asset Management, LLC

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For Ernst & Young as Monitor

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Bryan & Company LLP
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Edmonton, Alberta T5J 3Y2

For Paul McCracken

Sharon Hayes, CSR(A)

Court Reporter

A I do.
Q What about your brother?
A He does.
Q I take it Wafra is also a shareholder in that enterprise, in RAM?
A As I mentioned, Wafra is a -- formed a company called RAM Ventures, which is a shareholder in that company.
Q What's the split, approximately?
A As of today, there are a number of options, but none -- not exercised as of now. It's 65 percent RAM Ventures and 35 percent my brother and myself.
Q Okay. What's your personal professional background, sir?
A Undergraduate in Economics, master's in Finance from Northeastern University in Boston. Worked at Bank of Boston as a commercial loan officer for a few years. Started a company called Resun, which was a national modular building company in the States. Since, it has become ModSpace. And then president and founder with my brother, Reliant Asset Management.
Q When did you start Reliant Asset Management?
A 2010.
Q Now, in terms of the businesses of each of the three companies that we have here, let's start with RAM. Is it -- I don't want to put words in your mouth or guess, but would I call that the holding company?
A That would be accurate.