

Supreme Court of Nova Scotia

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 Compromise or Arrangement of the
Applicant, Canadian Sailing Expeditions Inc.

AFFIDAVIT OF DOUGLAS PROTHERO, SWORN JUNE 22, 2009

I, Douglas Prothero, of Halifax, Nova Scotia, make oath and give evidence as follows:

1. I am a Director and the President of Canadian Sailing Expeditions Inc. (the "Company"), a limited company incorporated under the laws of the Province of Nova Scotia, and have personal knowledge of the matters deposed to herein unless such knowledge is otherwise stated to be by way of information and belief.
2. I state, in this affidavit, the source of any information that is not based on my own personal knowledge and I state my belief of that source.
3. On June 27, 2008, Justice Gerald R. P. Moir issued an order ("Initial Order") granting the Company relief pursuant to The *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA").
4. Since the date of the Initial Order, the Company has been assisting BDO Dunwoody Goodman Rosen Inc, in its capacity as Court appointed Monitor of the Company (the "Monitor"), in carrying out its functions under the present terms of the Initial Order.
5. The Company has prepared weekly cash flow statements (the "Cash Flow Statements") for the Monitor, the most recent of which was for the period June 1 to June 14, 2009 being weeks 49 and 50, which has been provided to the Monitor and will be incorporated in a report of the Monitor, to be filed with the Court.
6. The Monitor advises and I do verily believe that it has or will circulate the Cash Flow Statements and a copy of its report to counsel to Growthworks Atlantic Venture Funds Limited ("Growthworks"), Caterpillar Financial Services Limited ("Caterpillar"), Nova Scotia Business Incorporated ("NSBI"), and a representative of National Marine and Fire Services Inc.

7. The Cash Flow Statements show that the Company continues to manage its cash in a reasonable manner, highlights of which include:
 - (a) since the Company has not been operating, no revenues were planned to be or were received by the Company;
 - (b) there remains approximately \$90,000 of approved debtor in possession financing available to be drawn by the Company;
 - (c) expenses remain less than forecast and payables are being managed in a responsible fashion; and
 - (d) notwithstanding the absence of a marketing budget and the general economic conditions, the Company continues to book cruises for the summer season and holds increasing amounts of deposits in respect of such cruises in its trust account.

8. The Company's principals have been working diligently with Navigator Voyages Inc. ("Navigator") to secure the necessary financing to implement the Plan of Arrangement approved February 17, 2009 (the "Plan") by the creditors and sanctioned by order of this Court issued March 5, 2009, which These efforts have included the following:
 - (a) Caterpillar has agreed to provide term financing to permit the implementation of the Plan and has issued a conditional term sheet to Navigator in respect to such financing, a copy of such term sheet has been provided to the Monitor;
 - (b) Growthworks has agreed to provide term financing to permit the implementation of the Plan and has issued a conditional term sheet to Navigator, a copy of which has been provided to the Monitor;
 - (c) The Company continues to have positive discussions with NSBI and is hopeful of receiving its agreement to participate in the new financing on the same general terms and conditions as under NSBI's existing guarantee; and
 - (d) Navigator is working diligently to complete an equity financing but the schedule for closing that equity financing is dependent upon the equity partner completing an unrelated transaction in Europe.

9. The existing stay of proceedings expires June 30, 2009. Discussions regarding financing by the existing secured lenders and NSBI has progressed significantly and is almost concluded. The Company and Navigator require additional time for Navigator to complete the equity financing and proceed to complete the financing arrangements with Caterpillar and Growthworks in order to implement the Plan in the form approved by the creditors and sanctioned by the Court.

