

COURT FILE NUMBER 2001-06194

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c C-36 as amended

AND IN THE MATTER OF THE COMPROMISE OR
ARRANGEMENT OF REDROCK CAMPS INC., SOCKEYE
ENTERPRISES INC., SWEETWATER HOSPITALITY INC.
and BALDR CONSTRUCUTION MANAGEMENT INC.

APPLICANTS INVICO DIVERSIFIED INCOME L.P. and INVICO TRADE
CAPITAL L.P.

RESPONDENTS REDROCK CAMPS INC., SOCKEYE ENTERPRISES INC.,
SWEETWATER HOSPITALITY INC. and BALDR
CONSTRUCUTION MANAGEMENT INC.

DOCUMENT **SIXTH REPORT OF BDO CANADA LIMITED,
IN ITS CAPACITY AS MONITOR OF REDROCK
CAMPS INC., SOCKEYE ENTERPRISES INC.,
SWEETWATER HOSPITALITY INC. and BALDR
CONSTRUCUTION MANAGEMENT INC.**

JANUARY 27, 2021

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**SIXTH REPORT OF THE MONITOR
BDO CANADA LIMITED
JANUARY 27, 2021**

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INTRODUCTION

1. On May 13, 2020, Invico Diversified Income L.P. (“**IDILP**”) and Invico Capital Trade L.P. (together referred to as “**Invico**”) made an application (the “**Initial Application**”) to the Court of Queen’s Bench of Alberta (the “**Court**”) for an order granting an initial stay of proceedings in respect of Redrock Camps Inc. (“**Redrock**”), Sockeye Enterprises Inc. (“**Sockeye**”), Sweetwater Hospitality Inc. (“**Sweetwater**”) and Baldr Management Inc. (“**Baldr**”) (collectively referred to as the “**Redrock Group**” or the “**Company**”) pursuant to the *Companies’ Creditors Arrangement Act*, RSC 1985 c C-36, as amended (the “**CCAA**”).
2. On May 13, 2020 (the “**Filing Date**”), a *CCAA Initial Order* was granted by the Honourable Madam Justice B. E. C. Romaine of the Court providing initial relief including but not limited to the imposition of an initial stay of proceedings (the “**Stay**”) in favour of the Redrock Group and its assets through to May 25, 2020.
3. The Court appointed BDO Canada Limited as monitor (the “**Monitor**”) in the CCAA proceedings (the “**Proceedings**”).
4. On May 22, 2020, the Monitor filed a report to the Court (the “**First Report**”) in advance of the Company’s May 25, 2020 Court application (the “**Comeback Application**”).
5. At the Comeback Application, the Court granted an *Amended and Restated CCAA Initial Order* (the “**ARIO**”) which included certain relief, *inter alia*:
 - a. an extension of the Stay through to July 24, 2020;
 - b. the approval of a \$2,500,000 interim credit facility (the “**Interim Facility**”) from IDILP (the “**Interim Lender**”) pursuant to an *Amended and Restated Interim Financing Agreement* between the Company and IDILP (the “**Interim Financing Agreement**”);

- c. the approval of a super-priority afforded to the Administration Charge, the Interim Lender's Charge and the Director's Charge (collectively referred to as the "**Court Ordered Charges**") as against the property, assets and undertakings of the Redrock Group (the "**Assets**") as follows:
 - i. Administration Charge (\$500,000) – first ranking;
 - ii. Interim Lender's Charge (\$2,500,000) – second ranking; and
 - iii. Directors' Charge (\$400,000) – third ranking.
 - d. providing the Monitor with authority to exercise control over the Redrock Group's bank accounts and its receipts (the "**Cash Management System**"); and
 - e. providing the Monitor with the authority, in consultation with Invico and the Redrock Group, to prepare, supervise and control a sale and investor and solicitation process (the "**SISP**").
6. On July 10, 2020, the Monitor filed a report (the "**Second Report**") in contemplation of applications by:
- a. Invico seeking to further extend the Stay and to expand the Monitor's powers to contemplate the execution of any sale or investment agreements resulting from the SISP (collectively referred to as "**Definitive Agreements**"); and
 - b. the Monitor seeking approval of the SISP proposed by the Monitor, the engagement of a sales advisor to administer the SISP (the "**Sale Advisor**") and the establishment of a charge on the Assets to secure the amount of the fees payable to the Sale Advisor (the "**Sale Advisor Charge**").
7. At a hearing on July 14, 2020 (the "**July 14th Application**"), the Court granted two Orders as follows:
- a. an Order further extending the Stay to September 30, 2020 and extending the Monitor's powers to include the execution of Definitive Agreements; and

- b. an Order approving:
 - i. the engagement of KPMG Corporate Finance Inc. as the Sale Advisor;
 - ii. approving the SISP; and
 - iii. establishing the Sale Advisor Charge.
8. On September 11, 2020, the Monitor prepared a report (the “**Third Report**”) and an accompanying confidential supplemental report (the “**Confidential Supplement to the Third Report**”) in advance of applications by:
 - a. Invico seeking to further extend the Stay and to increase the borrowing limit under the Interim Facility and the Interim Lender’s Charge from \$2.5 Million to \$3.0 Million; and
 - b. the Monitor seeking approval of a sale approval and vesting order in respect of the sale of substantially all of the assets, property and undertaking of Sockeye to Invico, or its nominee, (the “**Sockeye Transaction**”) and the sealing of the Confidential Supplement to the Third Report.
9. On September 15, 2020 (the “**September Application**”), Justice C. Dario of the Court granted two orders as follows:
 - a. an Order (the “**September Order**”):
 - i. further extending the Stay to November 27, 2020;
 - ii. increasing the borrowing limit under the Interim Facility and the Interim Lender’s Charge to \$3.0 Million;
 - iii. extending the Termination Date (as defined in the Interim Financing Agreement); and
 - iv. authorizing the Monitor to execute any necessary amendments to the Interim Financing Agreement.

- b. an Order (the “**Sockeye SAVO**”):
 - i. approving the Sockeye Transaction subject to reviewing the finalized purchase and sale agreement (the “**Sockeye PSA**”); and
 - ii. sealing the Confidential Supplement to the Third Report until the earlier of 6 months after the Monitor files its certificate of discharge in the Proceedings or May 31, 2021.
10. On October 7, 2020, the Monitor prepared a report (the “**Fourth Report**”) in advance of Invico’s application seeking the appointment of a Chief Restructuring Officer (“**CRO**”) in respect of Redrock and Sockeye and for the granting of the authority for the Monitor to execute an agreement in relation thereto on behalf of Redrock and Sockeye.
11. On October 9, 2020, the Court granted an Order:
 - a. appointing Mr. David Hawkins as the CRO; and
 - b. authorizing the Monitor to execute the proposed CRO engagement letter (the “**CRO Agreement**”) on behalf of Redrock and Sockeye.
12. On November 20, 2020, the Monitor prepared a report (the “**Fifth Report**”) in advance of Invico’s application to further extend the Stay and the Termination Date of the Interim Financing Agreement to February 12, 2021.
13. On November 26, 2020 (the “**November Application**”), the Court granted an Order extending each of the Stay and the Termination Date to February 12, 2021.

PURPOSE

14. The purpose of this report (the “**Sixth Report**”) is to provide information to this Honourable Court with respect to:
 - a. An update as to the status of the Sockeye Transaction;
 - b. The Monitor’s application for:

- i. a sale approval and vesting order (the “**SAVO**”) in respect of the sale of substantially all of the assets, property and undertaking of Redrock to Invico’s nominees, Invico Holdings Canada Inc (“**IHC**”) and Redrock Camps LP (“**RC LP**”) (collectively referred to as the “**Purchasers**”), by its general partner Redrock Camps GP Ltd. (“**RC GP**”). The SAVO also contemplates the assignment of all of the rights and obligations of Redrock in and to any Included Contracts (as defined in the Redrock PSA) to RC LP, subject to the payment of any applicable Cure Costs (as defined in the Redrock PSA) pursuant to section 11.3 of the CCAA.; and
 - ii. a reverse vesting order transferring, assigning and vesting all “**Excluded Assets**” and “**Excluded Liabilities**” (each as defined in the Redrock PSA) to Baldr (the “**RVO**”).
- c. An application by Redrock, RC GP and RC LP for an order sanctioning a joint Plan of Arrangement (the “**Plan of Arrangement**”) under the CCAA and the Alberta *Business Corporations Act*, R.S.A 2000, c B-9, as amended (the “**ABCA**”);
 - d. Invico’s application seeking an extension of the Stay through to March 31, 2021;
 - e. The details of a sealing order sought in respect of the Monitor’s confidential supplement to the Sixth Report (the “**Confidential Supplement to the Sixth Report**”);
 - f. An update as to the Redrock Group’s financial performance since the Fifth Report;
 - g. The Redrock Group’s further updated cash flow forecast; and
 - h. The Monitor’s conclusions and recommendations in respect of the above, as applicable.

TERMS OF REFERENCE AND DISCLAIMER

15. In preparing this Sixth Report, the Monitor has been provided with and has relied upon unaudited financial information, certain books and records of the Redrock Group, discussions with the Redrock Group's management ("**Management**") and information provided by and discussions with Invico (collectively referred to as the "**Information**").
16. The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided; however, the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information in such a manner that would wholly or partially comply with standards as set out in the *Chartered Professional Accountants Canada Handbook* (the "**CPA Handbook**") and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of such Information
17. Some of the Information referenced in this Sixth Report relates to weekly cash flow forecasts, projections and related assumptions. An examination or review of cash flow forecasts, projections and related assumptions as outlined in the CPA Handbook has not been performed.
18. Capitalized terms not otherwise defined herein shall have the meaning given to them in the First Report, the Second Report, the Third Report, the Fourth Report and the Fifth Report.

THE SOCKEYE TRANSACTION

19. In the Third Report, the Monitor advised that subsequent to the deadline (the "**Bid Deadline**") for the submission of non-binding Letters of Intent ("**LOI's**") pursuant to the SISP, the Monitor and the Sale Advisor had determined that the offer submitted by Invico (the "**Invico LOI**") for substantially all of the assets of each of Redrock and Sockeye was the superior offer.

20. In the Fifth Report, the Monitor advised that the Sockeye PSA had been finalized and executed by the Monitor and Invico and that the Monitor's legal counsel would notify the parties on the service list that anyone wishing to object to the Sockeye PSA must bring forward any concerns to Justice Dario's attention on or before November 26, 2020, after which time, if no objections were received, the Monitor's counsel would request that Justice Dario sign the Sockeye SAVO.
21. The Monitor's counsel issued the above referenced notice to the parties on the service list and no objections were received. Consequently, Justice Dario signed the Sockeye SAVO.
22. The parties to the Sockeye PSA are working towards closing the transaction contemplated therein and expect closing to occur before February 15, 2021.

SUMMARY OF THE REDROCK TRANSACTIONS

23. As set out in the Fifth Report, the completion of a purchase and sale agreement between the Monitor and Invico in respect of Redrock's assets (the "**Redrock PSA**") had been delayed due to challenges Invico was experiencing obtaining insurance and Crown dispositions for lands on which Redrock operates its camps (the "**Dispositions**") and that options for structuring a transaction to address these matters were being considered by Invico.
24. Invico subsequently assigned to the Purchasers its rights under the Invico LOI along with the amount of Redrock's outstanding obligations to Invico necessary to satisfy the Invico Setoff Amount as defined and provided for under the Redrock PSA.
25. The Monitor and the Purchasers have now agreed to the Redrock PSA subject to the approval of this Honourable Court. A redacted copy of the Redrock PSA is attached as Exhibit "B" to the January 26, 2021 Affidavit of David Hawkins filed in the Proceedings (the "**January 26th Hawkins Affidavit**"). An unredacted copy of the Redrock PSA is attached as Appendix "D" to the Confidential Supplement to the Sixth Report. A copy of the Plan of Arrangement is attached as Exhibit "A" to the January 26th Hawkins Affidavit.

26. The Redrock PSA and the Plan of Arrangement, contemplate a series of transactions and steps (collectively, the “**Redrock Transactions**”) pursuant to which:
- a. RC LP will acquire Redrock’s right, title and interest in the following (the “**Transferred Assets**”):
 - i. the Included Contracts as set out on Schedule “A” of the Redrock PSA;
 - ii. all tangible real and personal property of Redrock of any kind whatsoever, including all modular structures (including W lodge modular trailers), warehouse, camp and gym equipment, vehicles, computer hardware and software, office furniture and equipment and leasehold improvements (the “**Tangible Assets**”);
 - iii. all intangible personal property of Redrock of any kind whatsoever including accounts receivable and security deposits (the “**Intangible Assets**”)
 - iv. any right, title or interest of Redrock in and to any real property pursuant to any permits issued to Redrock that are listed on Schedule “C” of the PSA (the “**Included Permits**”) or real property lease that is an Included Contract;
 - v. all intellectual property including but not limited to trademarks, business names, logos or other branding of “Redrock Camps Inc.”;
 - vi. the books, records and data of Redrock; and
 - vii. personal information in respect of Redrock’s employees, suppliers, customers, directors, officers or shareholders.

- b. Redrock will retain the Included Permits, any Included Contracts which require the consent of the counterparty or another party to assign, which consent is not available, any Transferred Assets that would otherwise require the consent of another party to assign, which consent is not available, and any director's and officers' insurance held by the Redrock Group (the "**Retained Assets**");
- c. On closing of the Redrock Transactions, RC LP will assume, and upon Plan Implementation, Vendor shall continue to be liable for, and each as applicable shall pay due and perform and discharge in accordance with their terms, the following:
 - i. liabilities that are incurred, or arise as a direct result of events that occur, subsequent to Closing or Plan Implementation, as applicable;
 - ii. the Cure Costs;
 - iii. any amounts payable to the applicable Governmental Authority under the Included Permits; and
 - iv. environmental liabilities in respect of the Included Assets incurred or arising as a direct result of events occurring subsequent to the Filing Date.

(collectively, the "**Assumed Liabilities**").

- d. the Excluded Assets will be vested in Baldr subject to any encumbrances now attaching to them and the Excluded Liabilities would be vested in and deemed to be assumed by Baldr, and Redrock would cease to have any interest in the Excluded Assets or any obligation for the Excluded Liabilities;

- e. the issued and outstanding shares in the capital of Redrock (the “**Existing Securities**”) will be acquired by Redrock and cancelled for no consideration and a new class of common shares (the “**New Shares**”) will be created that will be issued to IHC;
 - f. RC GC and Redrock would amalgamate to form Redrock Camps GP Ltd. (“**Amalco**”);
 - g. the Purchasers shall satisfy any amount reasonably stipulated by the Monitor necessary to permit the completion of the administration of the Proceedings (the “**CCAA Cash Requirements**”); and
 - h. the purchase price (including for the price for the New Shares) shall be satisfied by way of partial set off against Redrock’s remaining secured obligations to Invico less the Cure Costs, CCAA Cash Requirements and Priority Claims to be funded by way of cash payment to the Monitor and the assumption of the Assumed Liabilities.
27. The Monitor notes that the Redrock PSA provides for the following material conditions to the closing of the Redrock Transactions:
- a. the SAVO, the RVO and the Sanction Order shall each have been granted and entered by the Court and there shall not have been any appeal of, or application to set aside, vary or amend, the SAVO, the RVO or the Sanction Order which has not been abandoned or dismissed and the applicable period for commencing an appeal has expired;
 - b. the required majority of the creditors affected by the Plan of Arrangement shall have voted, either in person or by voting letter, in favour of the Plan of Arrangement;
 - c. no governmental authority shall have enacted, issued or promulgated any Law which has the effect of: (i) making any portion of the Redrock Transactions illegal; or (ii) otherwise prohibiting, preventing or restraining the consummation of any portion of the Redrock Transactions;

- d. all Excluded Contracts (as defined in the Redrock PSA) shall have been terminated and disclaimed by the Vendor pursuant to section 32 of the CCAA prior to closing of the Redrock Transactions; and
 - e. no Included Permits shall have been terminated by the applicable governmental authority or expired, and no governmental authority shall have taken any action or proceeding to terminate any Included Permits.
28. The Monitor is concerned that the public disclosure of the Redrock PSA and the LOI's and the respective commercial details may affect the future marketing efforts if disclosed before the closing of the Redrock PSA. In addition, Invico has requested that the details of the Redrock PSA and the LOI's not be disclosed for a period of time so as avoid any potential negative affect on Invico's efforts to transition the Redrock operations. Consequently, the Monitor will be seeking to have the Confidential Supplement to the Sixth Report sealed until the filing of the Monitor's Certificate in respect of the Redrock PSA.

MONITOR'S COMMENTS

Purpose of Structure of the Redrock Transactions

29. The Monitor acknowledges that the above noted structure of the Redrock Transactions is complex and offers the following summary comments in relation to the background leading to the structuring of the Redrock Transactions:
- a. many of the sites of Redrock's camps are located on public lands owned by the Crown in right of the Province of Alberta. For these sites, Redrock has obtained the Dispositions from the Province of Alberta. The Dispositions allow Redrock to occupy, build and operate service camps on these sites. The Dispositions can only be assigned with the consent of Alberta Parks and Environment (the "AEP"). Without the Dispositions and the Included Permits associated therewith, Amalco would be unable to continue to carry on Redrock's business as a going concern operation. The Monitor understands that there can be significant delays in the AEP approval process and that such approvals are discretionary and therefore not certain.

The Redrock Transactions provide that Redrock will continue to hold the Retained Assets, including the Dispositions and other Included Permits, such that the consent of the AEP will not be required for the Redrock Transactions; and

- b. Invico advises that in order to structure the investments of the private equity funds it administers in accordance with applicable securities legislation, its internal investment policies and to achieve tax efficiency, the remainder of Redrock's business, together with the Transferred Assets, will be vested in RC LP. As set out earlier in this Sixth Report, Redrock and RC GP will amalgamate to form Amalco, which will be the new general partner of RC LP and will hold the Retained Assets for and on behalf of RC LP. In order to accomplish this, it is necessary by way of the Plan of Arrangement, to acquire and cancel the Existing Securities, create a new class of common shares, the New Shares, and issue the New Shares to IHC. Invico advises that this structure also preserves certain tax attributes of Redrock, subject to the debt forgiveness rules.
30. The Redrock Transactions achieve a valid business purpose, approval for which is being sought in good faith and the Redrock Transactions are necessary to effect a going concern sale of the business of Redrock. The Monitor is advised by its legal counsel that other Courts, including this Honourable Court, have approved transactions with a similar structure, in similar circumstances and in order to consummate a sale of the assets of a debtor in CCAA proceedings to preserve value for stakeholders and in order to effect a going concern sale.

SAVO

31. The Transferred Assets to be acquired by RC LP, include the Included Contracts to which Redrock is a party. A number of the Included Contracts require the applicable counterparty's consent for assignment to RC LP.

32. Pursuant to the Redrock PSA, Redrock is required to use best efforts to obtain the all consents required to assign the Included Contracts to RC LP, failing which an Order of the Court may be needed to effect the assignment of the Included Contracts. Given the anticipated short timeframe between the finalization of the Redrock PSA and the anticipated closing of the Redrock Transactions, it may not be possible for all consents relating to the Included Contracts to be obtained in advance of closing. Consequently, as part of the SAVO, the Monitor seeks the assignment to RC LP of the Included Contracts, with such assignment to be granted pursuant to section 11.3 of the CCAA, notwithstanding any restrictions on the assignment of such Included Contracts, and would require the satisfaction of any applicable Cure Costs.
33. Also, pursuant to the proposed SAVO, to the extent that there are additional Included Contracts that have not been identified and included in the Redrock PSA, that Redrock is party to and which require consent thereunder has not been obtained (each an “**Additional Included Contract**”), the proposed SAVO provides: (a) a mechanism for the provision of notice of the assignment to RC LP of any such Additional Included Contract to the counterparties thereto; (b) a right for such counterparties to object to such assignment; and (c) absent any objection to the assignment to RC LP of any such Additional Included Contract subject to the satisfaction of any applicable Cure Costs.
34. Section 11.3 of the CCAA provides authorization for the Court to make an Order assigning the Included Contracts. The CCAA provides that the Court shall take various factors into consideration when determining whether to make such an Order for which the Monitor has the following comments:
- a. none of the Assumed Contracts are (a) an agreement entered into on or after the day on which the CCAA proceedings commenced; (b) an eligible financial contract; or (c) a collective agreement;
 - b. the Monitor approves of the contemplated assignments; and

c. based on the Monitor's knowledge of Invico entities, the Monitor is satisfied that it ought to be able to perform the respective obligations under the Included Contracts.

35. In light of the above, the Monitor is of the view that any factors to be considered by the Court in respect of related parties have been satisfactorily addressed.
36. Approving the assignment provisions contained in the SAVO is a condition precedent to the implementation of the Redrock Transactions and the Monitor is of the view that it is appropriate to assign the rights and obligations under the Included Contracts, as they are integral to the going concern operations.

RVO

37. As set out above, the issuance of the RVO is a condition precedent to the closing of the Redrock PSA as the Redrock Transactions contemplate that Redrock shall amalgamate with RC GP, pursuant to the Plan of Arrangement. In order to ensure there are no Excluded Liabilities and Excluded Assets remaining in Redrock, the RVO provides that *inter alia*, the Excluded Assets and the Excluded Liabilities must be transferred to Baldr, subject to appropriate trust conditions, in a "siloed" approach, that will ensure that the priority of all claims and encumbrances is preserved.
38. As mentioned in the First Report, Redrock is the 100% shareholder of each of Baldr and the Monitor understands that Baldr does not have any assets and is not engaged in active operations.

Plan of Arrangement

39. The purpose of the Plan of Arrangement can be summarized as follows:
- a. To permit the acquisition by Redrock of the Existing Securities without consideration, to cancel the Existing Securities, to create and issue the New Shares to IHC; and
 - b. The arrangement of Redrock's residual obligations to Invico by way of its assumption by RC LP and RC GP, and the amalgamation pursuant to which RC GP and Redrock will amalgamate to form Amalco.

40. The Receiver obtained an independent security opinion confirming the validity and enforceability of its security as against the Redrock Group. Based on the results of the SISP, Invico will experience a shortfall from realizations such that there are no funds otherwise available for creditors or by extension shareholders. Consequently, it is not practical to effect an arrangement of Redrock otherwise than under sections 192 and 193 of the ABCA and the CCAA. To the extent that the Excluded Assets have any value, the Unaffected Creditors will continue to have rights therein because the Excluded Assets are vested in Baldr and the Excluded Liabilities are assumed by Baldr pursuant to the RVO.
41. In light of the above and the structure of the Redrock Transactions, Invico and the Purchasers are the only parties contemplated as “Affected Creditors” by the Plan of Arrangement.
42. The Affected Creditors will constitute a single class for the purposes of considering and voting upon this Plan of Arrangement pursuant to sections 5 and 6 of the CCAA. The Affected Creditors will be entitled to vote their Affected Claims in person at a creditors' meeting (“**Creditors’ Meeting**”) or by way of proxy (“**Proxy**”). No other creditors or existing holders of the Existing Securities shall be entitled to vote on the Plan of Arrangement.
43. In order for this Plan of Arrangement to be approved by the Affected Creditors, it must be agreed to by the statutory majority of Affected Creditors voting in person at a Creditors' Meeting or by Proxy. In the event that all of the Affected Creditors deliver a Proxy to the Monitor in which they each vote in favour of the Plan of Arrangement, the Monitor may dispense with holding of a Creditors' Meeting and such Proxies shall be treated for all purposes as votes of such Affected Creditors agreeing to the Plan of Arrangement pursuant to section 6(1) of the CCAA and pursuant to section 193(7) of the ABCA.
44. In light of there being no residual value available to creditors, other than Invico, or the current holders of the Existing Securities, the Monitor is of the view that the Plan of Arrangement is reasonable in the circumstances and that the Sanction Order being sought by Invico should be approved.

Monitor's Overall Assessment

45. The Monitor believes that the Redrock Transactions are in the best interest of all stakeholders, facilitate a going concern sale of the business of Redrock, and recommends approval of same for the following reasons:

- the Redrock PSA was generated as a result of the SISP, which was approved by this Honourable Court;
- the Sale Advisor is regarded as well respected in the marketplace and has executed previous engagements in respect of insolvent entities;
- the Redrock Group's assets were widely advertised by the Sale Advisor during the SISP and the Sale Advisor advised that significant interest was expressed from potential buyers for an offering of its size;
- the Monitor considers that there has been no unfairness arising from the SISP;
- the Invico bid was the only bid submitted for a sale of the business of Redrock as a going concern;
- the Monitor is of the view that the Redrock PSA was negotiated in good faith and is commercially reasonable in the circumstances;
- the Receiver obtained an independent security opinion confirming the validity and enforceability of its security as against the Redrock Group and that Invico as the fulcrum secured creditor of the Redrock Group is supportive of the Redrock Transactions, notwithstanding it will experience a shortfall from realizations from the SISP;
- in light of Invico experiencing a shortfall from realizations, there are otherwise no funds available for distribution for unsecured creditors and by extension the current holders of the Existing Securities;
- the Redrock Transactions provide an opportunity for Invico to potentially recover more than it might have otherwise recovered by way of receivership or bankruptcy proceedings;

- the employment of the majority of Redrock’s employees will be maintained; and
- remote rural Alberta communities from which Redrock operates will continue to benefit from the economic activity generated by the continuation of Redrock’s business on a going concern basis.

FINANCIAL PERFORMANCE

46. In advance of the November Application, Management prepared an updated consolidated 13-week cash flow forecast (the “**November Forecast**”) in respect of for the period November 16, 2020 to February 14, 2021, Exhibit “E to the November 20, 2020 Affidavit of Mr. Hawkins filed in these Proceedings.
47. A variance analysis of the Company’s actual receipts and disbursements over the seven week period November 16, 2020 – January 3, 2021 (the “**Reporting Period**”) versus the corresponding period in the November Forecast is set out in the following table:

| | November 16, 2020 - January 3, 2021 | | | |
|----------------------------------|--|-------------------------|-------------------------|--------------|
| | Actual | Forecast | Variance | Notes |
| Receipts | | | | |
| Accounts receivable | 1,327,829 | 3,601,583 | (2,273,754) | a) |
| | <u>1,327,829</u> | <u>3,601,583</u> | <u>(2,273,754)</u> | |
| Disbursements | | | | |
| Repayment of Interim Financing | (290,000) | - | (290,000) | b) |
| Operating expenses - PAD | (41,207) | (86,502) | 45,295 | |
| Operating expenses - general | (550,540) | (1,253,930) | 703,390 | c) |
| Operating expenses - food | (384,340) | (318,570) | (65,770) | |
| Payroll, benefits, WCB and other | 852,863 | (542,943) | 1,395,806 | d) |
| Principal and interest | (61,982) | (22,149) | (39,833) | |
| Restructuring | (169,833) | (254,921) | 85,088 | |
| | <u>(645,039)</u> | <u>(2,479,015)</u> | <u>1,833,976</u> | |
| Net cash flow | 682,790 | 1,122,568 | (439,778) | |
| Cash - beginning | 40,745 | 40,745 | - | |
| Cash - closing | <u><u>723,535</u></u> | <u><u>1,163,313</u></u> | <u><u>(439,778)</u></u> | |

48. The Company experienced positive cash flow of approximately \$683,000 over the Reporting Period, which resulted in an overall negative variance of approximately \$440,000 in comparison to the November Forecast. The Monitor offers the following comments in respect of certain of the above noted significant individual line item variances:
- a) the negative variance of approximately \$2.2 Million in respect of accounts receivable is a result of ongoing collection delays being experienced by the Redrock Group as was referenced in the Third Report, the Fourth Report and the Fifth Report;
 - b) a partial repayment of the Interim Facility, of \$290,000, that had not been contemplated in the November Forecast was made from excess available funds;
 - c) the positive variance of approximately \$703,000 in relation to “Operating Expenses – general” is principally the result of a provision having been made in the November Forecast for potential payments to subcontractors associated with collections of receivables relating to work conducted in British Columbia prior to the Filing Date pursuant to trust conditions imposed by the *Builders’ Lien Act* (British Columbia); however, such payments were impacted as a result of the accounts receivable collection issues; and
 - d) the positive variance of approximately \$1.4 million in relation to “payroll, benefits, ECB and other” is a result of the receipt of approximately \$1.4 million on account of the *Canada Emergency Wage Subsidy*, the application for which has not been completed as of the date of the November Forecast such that the receipt of funds had not been contemplated in the November Forecast.

UPDATED CASH FLOW FORECAST

49. Management has prepared a further updated forecast for the period January 4 to April 4, 2021, (the “**January Forecast**”) a copy of which is attached as Exhibit **Appendix “A”** to this Sixth Report. The January Forecast can be summarized as follows:

| | January 4 - April 4, 2021 |
|----------------------------------|--------------------------------------|
| Receipts | |
| Accounts receivable | 3,113,912 |
| CEWS claims | 900,000 |
| | <u>4,013,912</u> |
| Disbursements | |
| Operating expenses - general | (657,153) |
| Operating expenses - food | (1,131,564) |
| Payroll, benefits, WCB and other | (713,808) |
| Principal and interest | (54,493) |
| Restructuring | (450,000) |
| | <u>(3,007,018)</u> |
| Net cash flow | 1,006,894 |
| Cash - beginning | 723,534 |
| Cash - closing | <u><u>1,730,428</u></u> |

50. The Monitor has reviewed the reasonableness of the January Forecast in accordance with section 23(1)(b) of the CCAA and wishes to highlight the following significant points:
- a. Management has forecast positive cash flow of approximately \$1,007,000 from operations over the updated forecast period;
 - b. in light of the uncertainty as to the timing of the closing of the Redrock Transactions, the January Forecast has been prepared assuming status quo operations throughout the updated forecast period; and
 - c. the January Forecast contemplates that with the continued benefit of the Interim Facility, the Company will continue to have sufficient funds available to operate over the updated forecast period.

51. Our review consisted of inquiries, analytical procedures and discussions related to information, and assumptions provided to us by Management. Since hypothetical assumptions need not be supported, our analysis thereof was limited to evaluating whether they were consistent with the purpose of the January Forecast. We have also reviewed the support provided by Management for the probable assumptions and the preparation and presentation of the January Forecast.
52. Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:
- a. the hypothetical assumptions are not consistent with the purpose of the January Forecast;
 - b. as of the date of this Sixth Report, the probable assumptions developed by Management are not suitably supported and consistent with the current plans of the Redrock Group or do not provide a reasonable basis for the January Forecast, given the hypothetical assumptions; or
 - c. the January Forecast does not reflect the probable and hypothetical assumptions.
53. The Monitor gives no assurance and makes no representations as to whether the January Forecast will be met. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in the Sixth Report that has been provided by the Redrock Group. The January Forecast has been prepared solely for the purpose of demonstrating how the Redrock Group intends to fund its operations through to the later of April 4, 2021 or the closing of the Redrock Transactions.

EXTENSION OF STAY OF PROCEEDINGS

54. Invico will be seeking a further extension of the Stay through to March 31, 2021 to allow sufficient time to seek the Court's approval of and close the Redrock Transactions. The Monitor is of the view that the requested length of extension is appropriate to allow sufficient time to consummate the Transactions and provide for the orderly transition of Redrock's operations to Invico.

CONCLUSIONS AND RECOMMENDATIONS

55. The Redrock Transactions will ultimately allow Invico’s nominees to acquire the Redrock assets pursuant to the Invico LOI submitted during the SISP.
56. For the reasons set out in the Sixth Report and the Confidential Supplement to the Sixth Report; the Monitor respectfully recommends the following to this Honourable Court:
- a. approval of the SAVO;
 - b. approval of the RVO;
 - c. approval of the Sanction Order;
 - d. the extension of the Stay to March 31, 2021; and
 - e. the sealing of the Confidential Supplement to the Sixth Report until the filing of the Monitor’s Certificate in respect of the Redrock PSA.

All of which is respectfully submitted this 27th day of January 2021.

BDO Canada Limited,
in its capacity as Monitor of the Redrock Group
and not in its personal or corporate capacity



Per: _____
Marc Kelly
Senior Vice President

APPENDIX “A”

REDROCK CAMPS INC.

Cash Flow forecast

For the 13 week period

(Unaudited - prepared by management)

| | Week of 4-Jan-21 | Week of 11-Jan-21 | Week of 18-Jan-21 | Week of 25-Jan-21 | Week of 1-Feb-21 | Week of 8-Feb-21 | Week of 15-Feb-21 | Week of 22-Feb-21 | Week of 1-Mar-21 | Week of 8-Mar-21 | Week of 15-Mar-21 | Week of 22-Mar-21 | Week of 29-Mar-21 | Total |
|----------------------------------|---------------------|----------------------|----------------------|----------------------|---------------------|---------------------|----------------------|----------------------|---------------------|---------------------|----------------------|----------------------|----------------------|-----------|
| Receipts | | | | | | | | | | | | | | |
| Accounts receivable | 585,723 | 380,322 | 115,911 | 648,977 | 9,921 | 9,815 | 498,100 | 130,935 | 441,945 | - | 136,865 | - | 154,399 | 3,113,912 |
| CEWS Claims | - | - | 180,000 | - | 180,000 | - | 180,000 | - | 180,000 | - | - | 180,000 | - | 900,000 |
| | 585,723 | 380,322 | 295,911 | 648,977 | 189,921 | 9,815 | 679,100 | 130,935 | 621,945 | - | 136,865 | 180,000 | 154,399 | 4,013,912 |
| Disbursements | | | | | | | | | | | | | | |
| Operating Expenses - General | 103,125 | 46,169 | 46,169 | 46,169 | 46,169 | 46,169 | 46,169 | 46,169 | 46,169 | 46,169 | 46,169 | 46,169 | 46,169 | 657,153 |
| Operating Expenses - Food | 87,282 | 87,000 | 87,000 | 87,000 | 87,000 | 87,000 | 87,000 | 87,000 | 87,000 | 87,000 | 87,000 | 87,000 | 87,000 | 1,131,564 |
| Payroll, Benefits, WCB and other | - | 118,968 | - | 118,968 | - | 118,968 | - | 118,968 | - | 118,968 | - | 118,968 | - | 713,808 |
| Principal and Interest | - | - | - | 18,770 | - | - | - | 16,953 | - | - | - | - | 18,770 | 54,493 |
| Restructuring | - | - | - | - | 150,000 | - | - | - | 150,000 | - | - | - | 150,000 | 450,000 |
| | 190,407 | 252,419 | 133,169 | 270,907 | 283,169 | 252,137 | 133,169 | 269,090 | 283,169 | 252,137 | 133,169 | 252,137 | 301,939 | 3,007,018 |
| Net cash flow for period | 395,316 | 127,903 | 162,742 | 378,070 | (93,248) | (242,322) | 545,931 | (138,156) | 338,776 | (252,137) | 3,696 | (72,137) | (147,539) | 1,006,894 |
| Cash/Operating Line - beginning | 723,534 | 1,118,850 | 1,246,753 | 1,409,495 | 1,787,565 | 1,694,317 | 1,451,995 | 1,997,926 | 1,859,770 | 2,198,546 | 1,946,409 | 1,950,105 | 1,877,968 | 723,534 |
| Cash/Operating Line - closing | 1,118,850 | 1,246,753 | 1,409,495 | 1,787,565 | 1,694,317 | 1,451,995 | 1,997,926 | 1,859,770 | 2,198,546 | 1,946,409 | 1,950,105 | 1,877,968 | 1,730,428 | 1,730,428 |

REDROCK CAMPS INC.



Per: David Hawkins

January 19, 2021

CALGARY, ALBERTA

ASSUMPTIONS AND NOTES

- Please refer to the attached.

Redrock Camps Inc. & Sockeye Enterprises Inc.

Note to the Cash Flow Forecast:

- 1) **Overall** – This Cash Flow Statement is derived from both actual and forecasted results based on awarded contracts only and assumes ongoing operations in the ordinary course.
- 2) **Accounts Receivable** – Reflects expected cash collections based actual invoices in circulation as well as upcoming camp or project revenues and management’s best available estimates of timing of collections.
- 3) **Interim Financing** – represents anticipated draw or repayment of funds advanced pursuant to Court Ordered charge (“DIP Credit Facility”) necessary to maintain operations in the ordinary course.
- 4) **OPEX General** – based on historical expenses and assumed camp/project costs including but not limited to such expenditures as lease rentals, utilities, maintenance, repairs, contract operators and property taxes. Payments are assumed to be made within agreed terms as negotiated with vendors Post-CCAA.
- 5) **OPEX PAD’s** – based on historical pre-authorized expenses including but not limited to such expenditures as office and equipment leases, utilities, fuel, insurance.
- 6) **OPEX Food** – based on historical food purchasing activities. Agreed terms are that invoices are paid weekly.
- 7) **Payroll, Benefits, WCB and other** – includes both direct and indirect payrolls as well as related benefits, including Health and WCB Benefits.
- 8) **Principal and interest** – represent payment of monthly interest charged by Redrock & Sockeye on the drawn balance on the DIP Credit Facility.
- 9) **Restructuring** – includes the fees and expenses of the company’s legal counsel, the secured lender’s legal counsel and those of the Monitor and its legal counsel.