

C A N A D A
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL
COURT. No.: 500-11-057679-199

S U P E R I O R C O U R T
Commercial Division

**IN THE MATTER OF A PLAN OF
ARRANGEMENT OR COMPROMISE OF:**

INVESTISSEMENT QUÉBEC, a corporation duly constituted under the *Act respecting Investissement Québec* (CQLR c I-16.0.1), having its head office at 1195, avenue Lavigerie, suite 060, in the city of Quebec, Province of Quebec, G1V 4N3;

Co-Applicant / Principal Secured Creditor

- and -

FIERA PRIVATE DEBT INC., a legal person initially incorporated under Part IA of the *Québec Companies Act*, CQLR c C-38 and subsequently continued under the *Québec Business Corporations Act*, CQLR c S-31.1, having its head office located 400-1699 Le Corbusier blvd., in the city of Laval, Province of Quebec, H7S 1Z3, acting in its capacity, respectively, as manager and agent under the IAM Loan Agreement and under the Bridge Financing Agreement (as such terms are defined in the Application);

Co-Applicant / Secured Creditor

FORTRESS GLOBAL ENTERPRISES INC., a legal person duly incorporated under the *British Columbia Business Corporations Act*, SBC 2002, c 57 having its head office at 157 Chadwick Court, 2nd floor, in the city of North Vancouver, Province of British Columbia, V7M 3K2;

- and -

FORTRESS SPECIALTY CELLULOSE INC., a legal person initially incorporated under the *British Columbia Business Corporations Act*, SBC 2002, c 57 and subsequently continued under the *Canada Business Corporations Act*, RSC 1985, c C-44, having its head office located at 2500-1100 René-Lévesque Boulevard, in the city of Montreal, Province of Quebec, H3B 5C9;

- and -

FORTRESS BIOENERGY LTD., a legal person initially incorporated under the British Columbia *Business Corporations Act*, SBC 2002, c 57 and subsequently continued under the *Canada Business Corporations Act*, RSC 1985, c C-44, having its head office located at 2500-1100 René-Lévesque Boulevard, in the city of Montreal, Province of Quebec, H3B 5C9;

- and -

FORTRESS XYLITOL INC. a legal person initially incorporated under the British Columbia *Business Corporations Act*, SBC 2002, c 57, having its registered office located at 1000 Cathedral Place 925 West Georgia Street, Vancouver, Province of British Columbia V6C 3L2 Canada;

- and -

9217-6536 QUÉBEC INC. a legal person incorporated under the Quebec *Business Corporations Act*, RLRQ, C. S-31.1 having its head office located at 2500-1100 René-Lévesque Boulevard, in the city of Montreal, Province of Quebec, H3B 5C9;

Debtors

- and -

DELOITTE RESTRUCTURING INC., a company incorporated under the laws of Canada, having a place of business at 500-1190 av. des Canadiens-de-Montreal, in the city of Montreal, Province of Quebec, H3B 0M7;

Monitor

**TENTH REPORT TO THE COURT
SUBMITTED BY DELOITTE RESTRUCTURING INC.
IN ITS CAPACITY AS MONITOR ("THE MONITOR")**
(Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended)

INTRODUCTION

1. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined are as defined in the Application for the Issuance of a First Day Order, an Amended and Restated Initial Order, a Receivership Order and a Claims Procedure Order under the *Companies' Creditors Arrangement Act* ("**CCAA**") dated December 13, 2019 (the "**Initial Application**"). These proceedings commenced under the CCAA by Fortress will be referred to herein as the "**CCAA Proceedings**".
2. On December 13, 2019, Investissement Québec ("**IQ**") and Fiera Private Debt Inc. (collectively, the "**Applicants**"), in their respective capacity as secured creditors of Fortress Global Enterprises Inc. ("**Fortress Global**"), Fortress Specialty Cellulose Inc. ("**Fortress Specialty**"), Fortress Bioenergy Ltd. ("**Fortress Bioenergy**"), Fortress Xylitol Inc.

("Fortress Xylitol") and 9217-6536 Québec Inc. ("9217") (collectively, "Fortress"), filed the Initial Application seeking, *inter alia*, the issuance of a First Day Initial Order, an Amended and Restated Initial Order in respect of Fortress pursuant to Sections 9, 11, 11.51, 11.52 of the CCAA, as well as a Claims Procedure Order and a Receivership Order pursuant to Section 243 of the *Bankruptcy and Insolvency Act*.

3. On December 13, 2019, the Monitor (as defined below) issued its First Report, which purpose was to provide information to the Court with respect to (I) Deloitte's qualification to act as Monitor; (II) the business, financial affairs and financial results of Fortress; (III) Fortress' main creditors; (IV) Fortress' solicitation process; (V) the proposed restructuring; (VI) the Key Employee Retention Program ("**KERP**"); (VII) the appointment of a receiver; (VIII) the charges sought in the First Day Order; (IX) the D&O Trust; (X) the Claims Procedure Order; (XI) payments to Essential Suppliers (as defined in the First Report); (XII) overview of the 22-week cash flow projections as of the date of the First Report, in accordance with section 23(1)(b) CCAA; and (XIII) the Monitor's conclusions and recommendations in the circumstances of the hearing and the motion presented by both Co-Applicants.
4. On December 16, 2019, the Superior Court of Quebec, Commercial Division (the "**Court**") partially granted the Initial Application and rendered a First Day Initial Order (the "**First Day Order**") which provided for, *inter alia*, (i) a stay of proceedings against Fortress until December 26, 2019 (the "**Stay Period**"); (ii) a stay of proceedings against the Directors and Officers; (iii) the appointment of Deloitte Restructuring Inc. as the monitor under the CCAA (the "**Monitor**"); (iv) the approval of Interim Facility; and (v) the granting of an Interim Lenders' Charge.
5. On the same day, the Court also rendered a Receivership Order appointing Deloitte as receiver to a bank account opened in the name of Fortress Global for the sole purpose of allowing its employees to recover certain amounts which may be owing to them pursuant to the Wage Earners Protection Program Act ("**WEPPA**").
6. On December 19, 2019, the Applicants filed an Application for the Issuance of an Amended First Day Order, which was presentable by conference call on December 26, 2019.
7. On December 26, 2019, the above mentioned application was granted, and the Court rendered an Amended First Day Order which provided for, *inter alia*, (i) an extension of the Stay Period until January 10, 2020; (ii) an increase of the maximum principal amount of the Interim Facility to \$1.5M; (iii) an increase of the Interim Lender Charge to up to \$1.8M; and (iv) the payment of Essential Suppliers (as defined in the First Report) up to a maximum of \$250,000. On such date, the Court advised the parties that it would hear the Applicants' Application for an Amended and Restated First Day Order.
8. On January 8, 2020, the Monitor issued its Second Report. The purpose of the Second Report was to provide information to the Court on the activities of Fortress and of the Monitor since the commencement of the CCAA Proceedings and to support the Applicants' demand for the issuance of an Amended & Restated Initial Order.
9. On January 10, 2020, an Amended & Restated Initial Order was rendered by the Court (the "**Amended & Restated Initial Order**") which provided for, *inter alia*, (i) an extension of the Stay Period until May 2, 2020; (ii) an increase of the maximum principal amount of the Interim Facility to \$6M; (iii) an increase of the Interim Lender Charge to up to \$7.2M; (iv) a KERP and KERP Charge in an amount up to \$610,000; (v) a D&O Charge in an amount up to \$500,000; (vi) an Administration charge in an amount up to \$600,000; (vii) an Intercompany Advance Charge in an amount up to \$3M; and (viii) the undertaking of the Monitor to file a report to the Court on further material development every two months, and to post these reports on the Monitor's website.

10. On January 10, 2020, the Court also rendered a Claims Procedure Order (the "**Claims Procedure Order**") allowing the Monitor to conduct a process for the determination and, if applicable, adjudication of claims against Fortress. Pursuant to the Claims Procedure Order, a "Claims Bar Date" was set on March 16, 2020 at 5:00 p.m. (Montreal time).
11. Since January 10, 2020, the Monitor has filed five (7) reports with the Court and served same to the Service List from time to time. Copies of all of the Monitor's reports are available on the Monitor's website.
12. On March 23, 2020, at the request of the Monitor, the Court rendered an order, essentially clarifying that the Stay Period applied to the proceedings involving regulatory bodies and commenced before the *Tribunal Administratif du Québec* bearing the court file number STE-Q-211461-1509 (the "**TAT Proceedings**") and suspending the proceedings commenced before the Court of Québec, criminal and penal division, district of Gatineau, in connection with the statements of offense bearing number 100400-1116574361, 1004400-1116574353, 100400-1116574346, 100400-1116574338 and 100400-1116574312 (the "**Penal Proceedings**") until May 2, 2020 (the "**Stay Order Regarding Regulatory Bodies**").
13. On May 1st, 2020, the Court extended the Stay Period, including the Stay Order Regarding Regulatory Bodies, up until August 11, 2020.
14. On June 8, 2020, Lauzon – Plancher de Bois Exclusif Inc. ("**Lauzon**") filed an application (the "**Lauzon Application**") seeking, *inter alia*, the amendment of the Initial Order, together with various declaratory orders, which was opposed by the Monitor, with the support of IQ.
15. On July 15, 2020, after a contested hearing which lasted 2 days, the Lauzon Application was rejected, in part, by the Court. As part of its order (the "**Lauzon Order**"), the Court essentially confirmed that the biomass stored on Lauzon's premises was the property of Fortress and ordered that the purchase agreement entered into between Lauzon and Fortress could not be terminated as will be discussed further below.
16. On August 10, 2020, the Court extended the Stay Period up to and including October 23, 2020 and increased the Interim Facility to \$8,000,000 and the Interim Lender's Charge to \$9,600,000.
17. On that same day, instead of specifically extending the Stay Order Regarding Regulatory Bodies, the Court reserved the parties' rights to make representations on the applicability or not of the Stay Period to the TAT Proceedings and Penal Proceedings.
18. On October 23, 2020, the Court extended the Stay Period up to and including September 30, 2021 and increased the Interim Facility to \$17,000,000 and Interim Lender's Charge to \$20,400,000.
19. On December 18, 2020, following a motion from the Company supported by the Monitor, the Court rendered:
 - (i) the Order Approving a Charge in Favour of Hydro-Québec ("**Hydro-Québec Order**").
 - (ii) the Distribution and Assignment Order, essentially allowing the Monitor to distribute funds that were held in trust to Fortress employees for their unpaid claims ("**Trust Order**").

20. In accordance with the Amended and Restated Initial Order, the Monitor hereby issues its this tenth report of the Monitor (the "**Tenth Report**"). The purpose of the Tenth Report is to provide the Court with an update with respect to the following:

- I. Update on Fortress' operations (page 5);
- II. The Monitor's activities since the last report (page 7);
- III. Fortress' cash flow up to April 10, 2021 (12 weeks) (page 9);
- IV. Fortress' updated cash flow projections for the period from April 11, 2021 to October 2, 2021 (page 10); and
- V. The Monitor's conclusions (page 12).

I. UPDATE ON FORTRESS' OPERATIONS

21. Since the Ninth Report:

- (i) Fortress has maintained the Pulp Mill in shutdown mode and, operated the Cogen Facility from November 25, 2020 to March 23, 2021;
- (ii) The market price of the dissolving pulp continued to be robust and showed some resilience which increased the interest of some parties for the Pulp Mill. From \$640 USD per metric ton in December 2019, the price is now up to a range of \$1,050 – \$1,100 USD per metric ton; and
- (iii) For the period where the Cogen Facility was in operation which ended on March 23, 2021, Fortress recalled a total of 39 employees, including temporary employees for specific purposes. Fortress currently employs 14 employees in its Thurso location.

Update On Ongoing Issues With Creditors And Co-contractors

Hydro-Québec

22. As mentioned in the Eight Report as well as in the Application for the Issuance of an Order Establishing a Charge in Favour of Hydro-Québec, as per the agreement concluded between Fortress and Hydro-Québec, Fortress agreed to allow Hydro-Québec to withhold a total amount of \$105K per month, up to a maximum of \$420K (the "**HQ Holdback Amount**") from the amounts which would become owing to Fortress during the operation period of the Cogen Facility. As per this agreement, the totality of this holdback had to be released and remitted to Fortress in the last month of operation of the Cogen Facility (being March 2021).

23. Since the Cogen Facility stopped its operation on March 23, 2021, Hydro-Québec complied with its obligations set out in the aforementioned agreement with Fortress and remitted the totality of the HQ Holdback Amount on April 16, 2021.

24. All other electricity consumption payment agreements as the weekly pre-payment remain in place.

Les Pompes Goulds

25. As mentioned in previous reports, the Monitor was informed of the existence of a pending litigation between Fortress and Pompes Goulds pursuant to which Fortress claims damages in

an amount of approximately \$17 million, which represents a significant asset to the estate of Fortress.

26. In January 2020, a settlement conference between Fortress and Pompes Goulds had been scheduled; however, given that CCAA Proceedings had been initiated against Fortress, Pompes Goulds advised Fortress that it would not attend such settlement conference, and since then, the litigation proceedings between Fortress and Pompes Goulds have been suspended.
27. While discussion took place between the parties, on a without prejudice basis, but no settlement agreement was reached.
28. In accordance with its duties set out in the Initial Order, the Monitor, in consultation with IQ, began considering financing alternatives which would allow Fortress to move forward with the litigation, without requiring any further draws on the interim facility provided by IQ.
29. In the context of this review, discussions were held with Omni Bridgeway (Fund 5) Canada Investments Limited ("**Omni**"), which had previously considered funding this litigation, prior to the CCAA proceedings.
30. Omni conducted a due diligence process, further to which it agreed to enter into a litigation funding agreement in order to finance the litigation. The terms and conditions of the litigation funding agreement are currently being discussed between the parties and the Monitor expects that the litigation funding agreement will be finalized shortly, following which the Monitor will file an application with the Court for the approval of the litigation funding agreement.

Other

31. Fortress, with a view of evaluating all the possible options for the future of the mill, has retained services from different firms in order to obtain professional and independent opinions. The terms of these studies have been previously accepted by the Interim Lender.
32. KSH Solutions Inc. ("**KSH**") was retained by Fortress to assess the total cost of definitive closure of the production facilities and the total cost of providing municipal wastewater treatment services to the City of Thurso.
33. As of the date of this Report, a preliminary report has been issued by KSH but some items need to be finalized before issuing the final report.
34. A consulting firm (the "**Consulting Firm**") was retained by Fortress in order to provide a complete picture of the situation of the forest in the Outaouais region. The purpose of this study is to find a holistic and lasting solution that will be beneficial for all the stakeholders in the region, including Fortress which is at the center of this ecosystem.
35. The statement of work with the Consulting Firm has just been signed and kick off meeting just occurred. The duration of this mandate should extend over a few months.
36. Fortress, with the assistance of the Monitor, updated its budget for the next 6 months. It is expected that Fortress will not have sufficient liquidities until the end of the Stay Period. The Interim Lender is aware of the situation and discussion are taking place regarding the increase of the current Interim Facility. Should Fortress fail to secure additional liquidities to reach the end of the Stay Period, the Monitor will report to the Court in a timely manner. This updated budget was prepared to reflect a minimum maintenance scenario for summer 2021 similar as the one done last summer and complete the KSH and the Consulting Firm studies.

37. The updated budget will also be providing Fortress with additional time to attract a potential investor and to execute its restructuring initiatives as described in the previous reports, which include:
- (i) Maintaining Fortress' operations at a minimum and preserving the value of the assets;
 - (ii) Continue discussions with potential investors as part of the solicitation process; and,
 - (iii) Assessment of alternative production.

II. MONITOR'S ACTIVITIES SINCE THE LAST REPORT

General

38. Fortress and the Monitor held calls with the Applicants on a regular basis in order to update them on cash-flow, operations and the ongoing solicitation process.
39. More generally, the Monitor, with the assistance of Fortress, has been responding to questions of various stakeholders as to the status of the CCAA Proceedings.
40. The Monitor has also analyzed the receipts and disbursements transacted through Fortress' bank accounts on a weekly basis with full co-operation of Management.
41. Since the Ninth Report, the Monitor, with the assistance of the Debtors, started to work on a 3-year financial projection model. The work includes the analysis of several scenarios such as the dissolving pulp production and the Northern Bleached Hardwood Kraft production. This should allow Fortress to better understand the challenges around the reopening of the plant and help to answer any potential investors' questions. Fortress and the Monitor are also working on presentations for potential investors.

Distribution of funds held in trust

42. As mentioned in the Ninth Report, on January 19, 2021, the Monitor sent a total of 282 cheques to each laid-off and current employees with unpaid claims as per the terms of the Trust Order.
43. As of the date of this Report, out of the \$1,037M requested from the D&O Trust, only 3 employees with claims totaling \$7K have not cashed their cheque yet.

Claims against Directors and Officers of Fortress

44. On March 16, 2021, after analyzing the additional documents received by the creditors with a claim against the Directors and Officers of Fortress, the Monitor sent notices of disallowance by email and registered mail to all of them for the portion of their claim against the Directors and/or Officers specifically.
45. As per the Claims Procedure Order, the creditors who received a notice of disallowance and wished to dispute had 10 days to file an appeal motion with the Court and to serve a copy of such appeal motion to Fortress, the Applicants and the Monitor. The Monitor did not receive any appeal motion within the delay such that these claims are now barred.

Penal Proceedings

46. As discussed in the Monitor's previous reports, following the dismissal by the Court of the request to suspend the trial regarding the Penal Proceedings against Fortress, a *pro forma* hearing was set for April 20, 2021.
47. Prior to this date, several discussions took place between the DCPD and Fortress' legal counsel. A settlement was reached and presented to the Monitor as well as the Interim Lender, the terms of which were found to be reasonable since they would allow Fortress to operate within its budget without harming the execution of its restructuring initiatives.
48. Further to the prosecution of additional infractions in March 2021, Fortress' legal counsel presented the DCPD with a revised settlement offer. The Monitor expects the DCPD to provide Fortress with its position regarding this settlement offer in short order. The DCPD has been informed that the settlement is conditional on the Monitor obtaining this Court's authorization to settle the Penal Proceedings on behalf of Fortress.
49. On April 20, 2021, Fortress' legal counsel informed the court at the *pro forma* hearing that there were ongoing discussions with the DCPD with a view to presenting a settlement to the court in respect of the Penal Proceedings. Another *pro forma* hearing was set for June 29, 2021.
50. Once Fortress and the DCPD will have reached an agreement in principle on the terms of a settlement, the Monitor will present the settlement to this Court for its approval and to be authorized to settle the Penal Proceedings on behalf of Fortress in accordance to the terms of same. The Monitor expects that it will be able to present the settlement to this Court for its approval in the coming weeks, once the settlement is finalized.

Solicitation process

51. As previously mentioned, the market price of the dissolving pulp stabilized at a 10-year high since the Ninth Report, this increased the interest of some parties interested in the purchase of the Pulp Mill. The market price is now in the range of \$1,050 - \$1,100 USD per metric ton. As comparison, when the mill closed in October 2019, the price was around \$640 USD per metric ton.
52. Since the previous report, Fortress and the Monitor continued to have discussions with different parties and additional parties have shown interest. Some of these parties are companies that participated in the solicitation process conducted at the end of 2019 and the beginning of 2020, but new parties have also expressed interest.
53. Fortress and the Monitor are currently engaged in discussion with several serious parties that are conducting some due diligence procedures. Fortress is working on answering the parties' questions and providing them with additional documents and analysis upon requests.
54. Although the increase in the market price of dissolving pulp and the arrival of new interested parties is encouraging, the Monitor, as mentioned above, is currently analyzing all options including alternative scenarios. The Monitor, Fortress and Fortress' secured lenders have initiated discussion in order to analyze the different scenarios and to plan the next steps before the end of the Stay Period. It should be noted that in light of the renewed interest, the Monitor may seek to revive the solicitation process to allow the interested parties to submit offers in respect of Fortress and its assets.

Environmental Matters

55. Since the Ninth Report the Monitor frequently had discussions with the employees responsible for all the environmental matters, in view of establishing whether the proper safeguards and

procedures were in place and to identify if any actions were required regarding the environment. There have not been any major environmental exceedances or incidents during the reporting period that have not been addressed by Fortress and communications with the environmental authorities have occurred in the normal course of business. As of the date of this Tenth Report, the Monitor has not been made aware of any major issues that would necessitate immediate actions.

III. FORTRESS' CASH FLOW UP TO APRIL 10, 2021 (12 WEEKS)

56. Fortress' financial performance highlights for the period from January 17, 2021, to April 10, 2021, are presented in the Actual Cash Flow annexed hereto as **Appendix A**. The Monitor's comments on Fortress' financial performance during this period are the following:

- (i) compared with the initial statement of projected cash flow presented to the Court on January 22, 2021 (the "**Initial Cash Flow Statement**"), Fortress experienced an unfavorable variance of \$293K in cash inflows:
 - i. Fortress collected \$358K more of Cogen sales than budgeted. This favorable variance is due to timing since the last receipt for the Cogen sales was budgeted in the week ending on April 24, 2021 but occurred earlier;
 - ii. Fortress collected \$713K less of QST & GST than budgeted. This unfavorable variance is mainly temporary and due to timing. An amount of approximately \$700K should be received in the upcoming months;
 - iii. Fortress collected \$62K more of other deposits than budgeted. Other deposits include management fees, sale of spare parts and other unbudgeted revenues collected by Fortress.
- (ii) compared with the Initial Cash Flow Statement, Fortress experienced an unfavorable variance of \$1.0M in cash outflows. The variance is primarily attributable to:
 - i. The unfavorable variance of \$187K in trade payables operation partly due to unbudgeted environmental related costs and other additional operational costs for the Cogen;
 - ii. The unfavorable variance of \$0.7M in biomass. However, since the beginning of the winter, the total amount budgeted for biomass was \$2.6M. For the whole season, the total amount disbursed for biomass is 2.2M representing a favorable variance of \$0.4M. This favorable variance represents the savings in starting the Cogen 3 weeks later than budgeted, the timing of biomass reception and lower biomass purchase prices;
 - iii. The favorable variance of \$53K in chemicals due to the fact that the restart of the Cogen has been delayed from the initial plan;
 - iv. An unfavorable variance of \$236K in payroll mainly due to the timing of group insurance and pension payments (\$108K). The balance is due to the fact that some employees have been called back for unbudgeted specific purposes.
 - v. An unfavorable variance of \$323K in Hydro-Québec explained as follow:
 - a) Timing: March consumption was budgeted in the week ending on April 24, 2021, creating a temporary unfavorable variance of \$251K;
 - b) Credit: Based on the March invoice from Hydro-Québec, Fortress was in credit position of \$75K due to higher prepayments than consumption in previous months; and
 - c) Prepayments: During the first week of April 2021, Fortress completed a weekly prepayment of \$15K, which represents a temporary unfavorable variance.
 - vi. A temporary favorable variance of \$385K in municipal taxes.

(iii) compared with the Initial Cash Flow Statement, Fortress experienced a net unfavorable variance of approximately \$1.3M, as explained, mainly related to timing differences.

57. As of the date of this Tenth Report, all post-filing expenses incurred by Fortress have been or will be paid in the normal course of business out of the Interim Financing described in the First Report or through the Additional Interim Facility.

IV. OVERVIEW OF THE 6-MONTH CASH FLOW PROJECTIONS

58. Fortress, with the assistance of the Monitor, prepared the statement of projected cash flow (the "**Cash Flow Statement**") for the 6-month period from April 12, 2021 to October 2, 2021 (the "**Cash Flow Period**") for the purpose of projecting Fortress' estimated need for liquidities during the Cash Flow Period. A copy of the Cash Flow Statement is attached as **Appendix B** to this Tenth Report.

59. Fortress returned into a minimum maintenance scenario since the closure of the Cogen Facility on March 23, 2021. The Cash Flow Statement has been prepared to reflect the return into this minimum maintenance scenario.

60. The Cash Flow Statement has been prepared by Fortress using probable and hypothetical assumptions set out in the notes to the Cash Flow Statement (the "**Notes to the Cash Flow Statement**").

61. The Monitor's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to information supplied to it by Management. Since the hypothetical assumptions do not need to be supported, the Monitor's procedures with respect to these assumptions were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Monitor also reviewed the support for the probable assumptions provided by Management, as well as the preparation and presentation of the Cash Flow Statement.

62. Based on the Monitor's review and the foregoing qualifications and limitations, nothing has come to its attention that causes it to believe that, in all material respects:

(i) The hypothetical assumptions are not consistent with the purpose of the Cash Flow Statement;

(ii) As at the date of this Tenth Report, the probable assumptions developed by Management are not suitably supported and consistent with Fortress' plans or that they do not provide a reasonable basis for the Cash Flow Statement, given the hypothetical assumptions; or

(iii) The Cash Flow Statement does not reflect the probable and hypothetical assumptions.

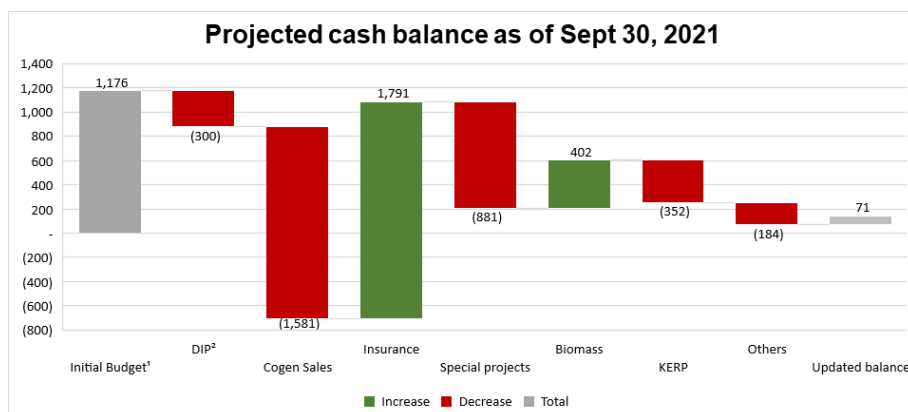
63. Since the Cash Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no opinion as to whether the projections in the Cash Flow Statement will be achieved. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon in preparing this report. Neither does the Monitor express any opinion as to the performance of Fortress' statutory obligations with regard to projected payments to be made in accordance with the Cash Flow Statement, *inter alia* the payment of wages, the government remittances and the payroll deductions to be made by Fortress.

64. The Cash Flow Statement has been prepared solely for the purpose described in the Notes to the Cash Flow Statement, and readers are cautioned that the Cash Flow Statement may not be appropriate for other purposes.
65. Based on the projections for the period ending October 2, 2021, Fortress will not have sufficient funds to cover the expected disbursements during this period without asking for additional Interim Financing. As mentioned above, the Interim Lender is aware of the situation and discussion are taken place regarding the increase of the current Interim Facility. An amount of \$1.7M of additional Interim Financing, not yet secured, was included in the projections attached as **Appendix B**. Should Fortress fail to secure additional liquidities to reach the end of the Stay Period, the Monitor will report to the Court in a timely manner. The Interim Facility has not been completely drawn by Fortress, \$0.9M is still available as of April 22, 2021 as described in the table below.

FORTRESS GLOBAL ENTERPRISES INC.		
DIP RECONCILIATION		
<i>in \$000 CAD</i>		
Total DIP approved since Dec 16, 2019	Amount received as of Jan 16, 2021	Amount available
15,000	14,100	900

66. In comparison with the budget presented in the Seventh Monitor’s Report for the 12-month period ending on Sept 30, 2021, the projected cash balance decreased from \$1.2M to \$0.1M as described in the graph below.

FORTRESS GLOBAL ENTERPRISES INC.
PROJECTED CASH BALANCE AS OF SEPT 30, 2021
In \$000 CAD



Note 1: Projected balance as per the initial budget presented to the Court in the 7th Monitor’s Report in October 2020.
Note 2: Includes the additional DIP assumed in the cash-flow presented in the Tenth Report.

67. Management has advised the Monitor that it believes that the forecast reflected in the Cash Flow Statement is reasonable.
68. This Cash-Flow Statement allows Fortress to ensure the security of the site, allows additional time for Fortress to attract a potential investor or purchaser and to ensure the continued operation of the water treatment plant for the benefit of the City of Thurso.

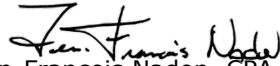
V. THE MONITOR'S CONCLUSIONS

69. The Monitor confirms that there is no further material development to report in this matter, other than what is provided for in this Tenth Report of the Monitor.
70. The Monitor will report to the Court in a timely manner if Fortress fails to secure additional liquidities.
71. The Monitor believes that Fortress has acted, and continues to act, in good faith and with due diligence.
72. The Monitor expects to submit its next report to the Court on July 22, 2021.
73. The Monitor respectfully submits to the Court this, its Tenth Report.

DATED AT MONTREAL, this 23rd day of April, 2021

DELOITTE RESTRUCTURING INC.

In its capacity as Court-Appointed Monitor of Fortress



Jean-François Nadon, CPA, CA, CIRP, LIT



Benoît Clouâtre, CPA, CA, CIRP, LIT

Appendix A

APPENDIX A

Fortress Global Enterprises

Budget-to-Actual Analysis for the 12-week period ended April 10, 2020

(in \$000 CAD)

	For the 12-week period ended April 10, 2021				Note
	Actual	Budget	Var (\$)	Var (%)	
Consolidated Receipts					
Cogen sales	2,560	2,202	358	16%	Note 1
GST & QST refunds	-	713	(713)	-100%	Note 2
DIP	3,000	3,000	-	0%	
Other Deposits	62	-	62	0%	Note 3
Total - Receipts	5,622	5,915	(293)	-5%	
Disbursements					
Trade payables - Operation	(647)	(460)	(187)	41%	Note 4
Biomass	(1,469)	(750)	(719)	96%	Note 5
Chemicals	(17)	(70)	53	-76%	Note 6
Payroll	(972)	(736)	(236)	32%	Note 7
Hydro-Quebec	(659)	(336)	(323)	96%	Note 8
Hydro-Québec Holdback on Cogen Sales	(353)	(315)	(38)	12%	Note 9
Municipal taxes	(1,082)	(1,467)	385	-26%	Note 10
Insurance	(94)	(84)	(10)	12%	
GST & QST payments	-	-	-	0%	
Professional fees	(260)	(295)	35	-12%	
Key Employee Retention Plan (KERP)	-	-	-	0%	
Other	(9)	-	(9)	0%	
Total - Disbursements	(5,562)	(4,513)	(1,049)	23%	
Change in Cash-Flow	60	1,402	(1,342)	-96%	
Net cash (Shortfall) - Beginning	418	418	-	0%	
Net cash (Shortfall) - Ending	478	1,820	(1,342)	-74%	

APPENDIX A (con't)**Fortress Global Enterprises - Consolidated****Notes on Budget-to-Actual Analysis**

For the 12-week period ended April 10, 2021

Note 1	Cogen sales	The Cogen sales receipts of \$2.6M were higher than the budgeted \$2.2M, creating a favorable variance of \$0.4M. This variance is due to the timing since the last receipt for the Cogen sales was budgeted in the week ending on April 24, 2021 but occurred earlier.
Note 2	GST & QST refunds	The unfavorable variance of \$713K in GST & QST refunds is mainly temporary and due to timing. An amount of approximately 70 0\$K should be received in the coming weeks.
Note 3	Other deposits	Other deposits include management fees, sale of spare parts and other unbudgeted revenues collected by Fortress.
Note 4	Trade payables - Operation	The trade payables operation disbursements of \$647K were higher than the budgeted \$460K, creating an unfavorable variance of \$187K. This is partly due to unbudgeted environmental related costs and other additional operational costs for the Cogen.
Note 5	Biomass	Biomass disbursements were \$0.7M higher than the \$0.8M initially budgeted in the Ninth Report of the Monitor. However, since the beginning of the winter, the total amount budgeted for biomass was \$2.6M. For the whole season, the total amount disbursed for biomass is 2.2M representing a favorable variance of \$0.4M. This favorable variance represents the savings in starting the Cogen 3 weeks later than budgeted and lower biomass purchase prices. Also, since the Cogen Facility had to close earlier due to the warm weather, Fortress currently holds approximately \$200K of biomass.
Note 6	Chemicals	The chemicals disbursements of \$17K were lower than the budgeted \$70K, creating a favorable variance of \$53K. This is mainly due to the fact that the restart of the Cogen has been delayed from the initial plan.
Note 7	Payroll	The payroll disbursements of \$972K were higher than the budgeted \$645K, creating an unfavorable variance of \$236K. This is mainly due to the timing of group insurance and pension payments (\$108K). The balance is due to the fact that some employees have been called back for unbudgeted specific purpose.
Note 8	Hydro-Québec	Hydro-Québec disbursements totaled \$659K compared to a budget of \$336K. This unfavorable variance of \$323K is explained as follow: <ul style="list-style-type: none">- Timing: March consumption was budgeted in the week ending on April 24, 2021 creating a temporary unfavorable variance of \$251K;- Credit : Based on the March invoice from HQ, Fortress was in credit position of \$75K due to higher prepayment than consumption in previous months ; and- Prepayments: During the first week of April, Fortress completed a weekly prepayment of \$15K, which represents a temporary variance.
Note 9	Hydro-Québec Holdback on Cogen Sales	As per the agreement mentioned in the Application for the Issuance of an Order Establishing a Charge in Favour of Hydro-Québec, Hydro-Québec retained a total of \$420K during the period of operations of the Cogen Facility. As planned, this amount has been released and remitted to Fortress on April 16, 2021.
Note 10	Municipal taxes	This \$385K favorable variance is temporary.

Appendix B

APPENDIX B
Fortress Global Enterprises
Consolidated Cash-Flow

For the period ending October 2, 2021

Consolidated (\$000)	Period ending	Forecast															MONTHLY		Total	
		17-Apr-21	24-Apr-21	01-May-21	08-May-21	15-May-21	22-May-21	29-May-21	05-Jun-21	12-Jun-21	19-Jun-21	26-Jun-21	03-Jul-21	10-Jul-21	17-Jul-21	24-Jul-21	31-Jul-21	Aug 2021		Sept 2021
Receipts																				
GST & QST refunds		-	-	-	-	-	-	897	-	-	44	-	-	-	-	25	-	23	23	1,012
DIP [1]		-	-	900	-	-	1,000	-	-	-	-	-	-	-	-	-	-	-	700	2,600
Total - Receipts		-	-	900	-	-	1,000	897	-	-	44	-	-	-	-	25	-	23	723	3,612
Disbursements																				
Trade payables - Operation		(11)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(20)	(25)	(131)
Payroll		(101)	-	(61)	-	(73)	-	(61)	-	(73)	-	(61)	-	(61)	(15)	(61)	-	(134)	(195)	(896)
Hydro-Québec		(15)	-	-	(108)	-	-	-	-	(108)	-	-	-	-	-	(108)	-	(108)	(108)	(555)
Hydro-Québec Holdback on Cogen Sales		420	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	420
Municipal taxes		-	-	(367)	-	-	-	-	(367)	-	-	-	-	-	-	-	-	-	(367)	(1,101)
Insurance [2]		-	-	-	-	-	-	(6)	-	-	-	(6)	-	-	-	-	(6)	(6)	(6)	(30)
GST & QST payments		-	-	(343)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(343)
Professional fees		-	(157)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(60)	(75)	(502)
Special Projects		-	(17)	(432)	-	-	-	-	-	-	-	(432)	-	-	-	-	-	-	-	(881)
Total - Disbursements		293	(179)	(1,223)	(128)	(93)	(20)	(87)	(387)	(93)	(128)	(87)	(452)	(81)	(35)	(189)	(26)	(328)	(776)	(4,019)
Change in Cash-Flow		293	(179)	(323)	(128)	(93)	980	810	(387)	(93)	(84)	(87)	(452)	(81)	(35)	(164)	(26)	(305)	(53)	(407)
Net cash (Shortfall) - Beginning		478	771	592	269	141	48	1,028	1,838	1,451	1,358	1,274	1,187	735	654	619	455	429	124	478
Net cash (Shortfall) - End		771	592	269	141	48	1,028	1,838	1,451	1,358	1,274	1,187	735	654	619	455	429	124	71	71

Note 1: This cash-flow assumes that Fortress will request an additional amount of \$1.7M to reach the end of the Stay Period

Note 2: Fortress is currently in negotiation for its insurance policy. The amount included in this cash-flow is based on the insurance for the same period last year but the amount could vary.

NOTES TO THE CASH-FLOW STATEMENT

NOTE A – PURPOSE

The purpose of these cash-flow projections is to determine the liquidity requirements of the Company during the CCAA proceedings.

NOTE B

The Cash Flow Statement has been prepared by the Company using probable and hypothetical assumptions set out in the notes to the Cash Flow Statement.

The Monitor's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to Information supplied to it by Management. Since the hypothetical assumptions need not be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Monitor also reviewed the support provided by Management for the probable assumptions, and the preparation and presentation of the Cash Flow Statement.

NOTE C - DEFINITIONS

(1) CASH-FLOW STATEMENT:

In respect of a Company, means a statement indicating, on a weekly basis (or such other basis as is appropriate in the circumstances), the projected cash-flow of the Company as defined in section 2(1) of the Act based on Probable and Hypothetical Assumptions that reflect the Company's planned course of action for the period covered.

(2) HYPOTHETICAL ASSUMPTIONS:

Means assumptions with respect to a set of economic conditions or courses of action that are not necessarily the most probable in the Company's judgment, but are consistent with the purpose of the Cash-Flow Statement.

(3) PROBABLE ASSUMPTIONS:

Means assumptions that:

- (i) The Company believes reflect the most probable set of economic conditions and planned courses of action, **Suitably Supported** that are consistent with the plans of the Company; and
- (ii) Provide a reasonable basis for the Cash-Flow Statement.

(4) SUITABLY SUPPORTED:

Means that the Assumptions are based on either one or more of the following factors:

- (i) The past performance of the Company;
- (ii) The performance of other industry/market participants engaged in similar activities as the Company;
- (iii) Feasibility studies;
- (iv) Marketing studies; or
- (v) Any other reliable source of information that provides objective corroboration of the reasonableness of the Assumptions.

The extent of detailed information supporting each Assumption, and an assessment as to the reasonableness of each Assumption, will vary according to circumstances and will be influenced by factors such as the significance of the Assumption and the availability and quality of the supporting information.

NOTE C - ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
<u>Opening cash balance</u>	Based on current bank balances	X	
<u>Forecast cash receipts:</u>			
QST & GST refunds	Based on the level of receipts and disbursements budgeted	X	
<u>Forecast cash disbursements:</u>			
Trade payables – Operation	Weekly estimate of disbursements required based on historical costs	X	
Payroll	Based on the Company's historical payroll reports and on the budgeted number of employees	X	
Hydro-Quebec	Monthly estimate of disbursements required based on historical costs	X	
Hydro-Quebec Holdback on Cogen Sales	Monthly estimate holdback as per the agreement with Hydro-Québec	X	
Municipal Taxes	Estimated disbursements based on historical costs	X	
Insurance	Based on historical costs	X	
GST & QST payments	Based on the level of receipts and disbursements budgeted	X	
Professional fees	Management estimate of professional fees to be incurred in the following months for monitor and legal services.		X
Special Projects	Management estimate of professional fees to be incurred for special projects		X