COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF 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 AND REORGANIZATION

OF

COW HARBOUR CONSTRUCTION LTD. ("APPLICANT" OR THE "COMPANY")
UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT,* R.S.C. 1985 c. C-36, AS AMENDED

FIRST REPORT TO THE COURT
SUBMITTED BY DELOITTE & TOUCHE INC.
IN ITS CAPACITY AS TRUSTEE UNDER A NOTICE OF INTENTION TO MAKE A PROPOSAL UNDER THE *BANKRUPTCY AND INSOLVENCY ACT* AND PROPOSED MONITOR ("PROPOSED MONITOR")

April 1, 2010

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 Motion for an Initial Order or in the affidavit of Mr. Demetri Koumarelas sworn on April 1, 2010 (the "**Koumarelas Affidavit**") filed in support of the application for the Initial Order for the Applicant (the "**Initial Order**"), filed as part of the application for the *Companies' Creditors Arrangement Act* ("**CCAA**") proceedings.

2. This report ("First Report") is filed with this Honourable Court for the purpose of advising the Court in respect of a number of factual and procedural matters listed in paragraph 3 below, and to provide the Proposed Monitor's recommendations regarding the proposed Initial Order.

3. The topics covered in this First Report include the following:

   (i) The Proposed Monitor's prior relationship with the Company;

   (ii) The business, financial affairs and financial results of the Company;

   (iii) The Company's proposed debtor-in-possession ("DIP") financing;

   (iv) The Company's cash flow forecast;

   (v) Charges in the proposed Initial Order; and

   (vi) The Proposed Monitor's conclusions and recommendations.

   Attached appendices are:

   Appendix A – Ownership Structure
   Appendix B – The Applicant's Cash Flow Statement
   Appendix C – The Applicant's Internal Financial Statements for the year ended December 31, 2009 and for the month ended January 31, 2010

4. In preparing this First Report, the Proposed Monitor has relied upon audited financial information, unaudited interim financial information, Company records, the Koumarelas Affidavit, discussions with management of

the Company and their financial and legal advisors and discussions with another accounting firm, (retained by the Company at the request of a secured creditor to assist the Company with the preparation of cash flow projections). While the Proposed Monitor has reviewed the information, some in draft format, submitted in the abridged time available, the Proposed Monitor has not performed an audit or other verification of such information. Future oriented financial information included in this First Report is based on Company management's assumptions regarding future events, and actual results achieved will vary from this information and the variations may be material.

THE PROPOSED MONITOR'S PRIOR RELATIONSHIP WITH THE COMPANY

5. The Company filed a Notice of Intention to make a Proposal under the *Bankruptcy and Insolvency Act* ("NOI") on April 1, 2010 and the Proposed Monitor agreed to act as trustee under the NOI.

6. Deloitte & Touche LLP has not provided any significant services to the Company over the past two years and has not acted in the capacity of an auditor or an accountant. Therefore, the Proposed Monitor is of the view that the non-involvement of Deloitte & Touche LLP with the Company would not compel a court to disqualify the Proposed Monitor from acting in the capacity of monitor of the Company in the circumstances of this case pursuant to section 11.7(2)(a) of the CCAA.

7. The Company's auditor is Meyers Norris Penny LLP.

THE BUSINESS, FINANCIAL AFFAIRS AND FINANCIAL RESULTS OF THE COMPANY

8. The head and registered office of the Company is located at 316 MacKay Crescent, Fort McMurray, Alberta. The Company was incorporated on December 17, 1984, under the *Alberta Business Corporations Act* and is owned 100% by 580799 Alberta Ltd., which, in turn, is owned 100% by Mr. Alphonse Hutchings, who is the sole director of both companies. (Appendix A)

9. The Company's operations consist primarily of overburden removal and general contracting services for oil extraction companies in Fort McMurray, Alberta. Overburden describes the material that lies on top of the bitumen used in oil sands processing.

10. Mr. Hutchings started his career working for Suncor Energy Inc. ("Suncor") in the early 1980's, which enabled him to develop a strong relationship with Suncor. Suncor was Cow Harbour's Construction Ltd. primary customer until July 2008. In July 2008, the Company also started working for Syncrude Canada Ltd. ("Syncrude").

11. The Company's assets consist mainly of approximately 260 pieces of heavy earth moving and hauling equipment. Currently, the Company has approximately 600 employees of which, approximately 500 employees are equipment operators and are unionized.

12. In May 2008 and February 2010, Suncor experienced fires at their oil extraction site locations which, according to the Company's management, significantly restricted the Company's revenue generation, causing cash flow restrictions and challenges. In order to stabilize its operations, management decided to relocate most of its business operations to the Syncrude's site in November 2009 and secured a five-year overburden removal contract for $440 million, plus other yet to be quantified revenues. The securing of this contract required the Company to increase its employees from approximately 500 persons to 750 persons which, in turn, caused the Company to incur significant training costs (e.g., two operators on certain machines rather than just one), which further restricted the Company's cash flow.

13. In order to honour Syncrude's contract, the Company moved substantially all of its equipment to Syncrude's Aurora and Milfred Lake mines site. In addition to those pieces of equipment owned by the Company, a number of pieces of heavy earth moving equipment had to be temporarily leased over the last few months by the Company in order to respect its engagement with Syncrude.

14. In March 2010, one of the rental equipment suppliers, which did not get paid, liened Syncrude's property for approximately $4.75 million. Prior to filing a NOI on April 1, 2010, the Company was concerned that approximately 10 additional creditors would file similar liens for a total of approximately $4.2 million. As a result, Syncrude is withholding 10% of the work performed to date, which has resulted in holdbacks of approximately $5.0 million.

15. The following table sets out selected financial information of the Company from the internal and external financial statements for the periods indicated. The selected financial information below has been derived from the corresponding financial statements for the indicated periods (see Appendix "C" for the Company's internal financial statements).

Summary of selected financial information (amounts in thousands of dollars)

	For Month Ended 31-Jan-10	Year Ended 31-Dec-09	Year Ended 31-Dec-08
	(unaudited)	*(unaudited)*	(audited)
Income Statement			
Revenues	$ 21,108	$ 230,526	$ 166,956
Gross margin	2,502	45,999	37,240
EBITDA	4,630	70,801	71,728
Net earnings	542	19,183	27,781
Balance Sheet			
Current assets	$ 42,192	$ 37,020	$ 35,676
Property plant & equipment	309,838	312,334	278,426
Related party receivables	11,999	12,039	8,880
	$ 364,029	$ 361,393	$ 322,982
Current liabilities	$ 126,028	$ 104,494	$ 133,509
Long-term debt and capital lease obligations	121,068	148,279	99,869
Future taxes payable	24,194	17,066	17,066
Shareholders equity	92,739	91,554	72,538
	$ 364,029	$ 361,393	$ 322,982

16. As detailed in the table above, the Company was profitable over the last few years and was able to generate a substantial EBITDA. However, the EBITDA was not sufficient to fund the Company's growth, which has been financed primarily by equipment loans with short-term amortization period at relatively high rates.

17. In addition, the Suncor fire in 2008 disrupted operations for more than two (2) months, which put additional pressure on the Company's working capital. Consequently, the Company had to rely on its primary lender to provide advances over and above the marginable limits in place on its operating line in order to continue operations.

18. As shown above, the current ratio varied between 0.26 and 0.35 mainly because some of the financial covenants under the capital leases were not met and consequently, the total capital leases obligation had to be reclassified as current.

19. In order to reduce pressure on the Company's working capital, management has looked at various alternatives to refinance a portion of its equipment fleet but has not been successful to date.

20. As a result of the current working capital shortage and the potential additional builders' liens (which could be registered against Syncrude' operating property), that would put additional pressure on the working capital, management believes that a filing under the CCAA is necessary in order to stabilize the financial situation and position of the Company and to maintain the revenue stream from Syncrude.

21. On March 25, 2010, the Company retained Mr. Patrick Ross, an experienced Chief Executive Officer, in anticipation that he will act as the Company's Chief Restructuring Officer during the period of the CCAA proceedings.

22. The Proposed Monitor has been advised that as at March 31, 2010 the Company's main secured creditors include:

- Royal Bank of Canada ("RBC") who has an operating line of approximately $40.3 million with the Company that is secured by a general security agreement, mortgage security on real property, and guarantees of Mr. Hutchings and 1134252 Alberta Ltd. (a related company). The Company is currently in breach of certain debt covenants with RBC.

- Leasing/Finance companies (approximately 35) that have funded approximately $200 million for specific equipment and have specific security on this equipment.

- Approximately $4.8 million owing to creditors that have currently lien Syncrude's property and an additional $4.2 million relates to creditors who would have been able to lien the site location but for the NOI.

23. The Proposed Monitor has not completed a review of the various credit facilities in place with the Company and has based its First Report on the assumption that the securities granted in favour of these secured creditors are valid and enforceable.

24. The Proposed Monitor has been advised that as at March 31, 2010, there are approximately $ 8.0 million owing between unsecured trade payables and accrued liabilities.

25. Amounts owing for statutory claims (source deductions and GST) are approximately $1.1 million.

DIP FINANCING

26. In order to address the Company's financing needs during these CCAA proceedings, the Company is currently negotiating a DIP financing agreement with RBC (the "**DIP Lender**"). The DIP Lender would commit to provide senior secured super-priority DIP term loan of $15 million ("**DIP Facility**"). The final terms and conditions of the DIP Facility have not yet been determined.

27. The proceeds of the DIP Facility will only be used to fund working capital requirements in accordance with the Company's cash flow statement filed in support of its CCAA Motion and shall not be used to repay any indebtedness outstanding prior to the date of the CCAA Order.

28. The amount borrowed by the Company under the DIP Facility will be secured by, among other things, a court-ordered charge on the Company's property ranking in priority over all present and future mortgages, charges, security interests, liens, pledges, hypothecs, capital leases, or other security arrangements of any kind, subject only to the Administrative Charge and the Critical Supplier Charge.

29. The Company has advised that they urgently require financing to continue its operations which will preserve value for the benefit of the various stakeholders. As mentioned earlier, as of the date of this First Report, the DIP Facility has not been finalized.

THE COMPANY'S CASH FLOW FORECAST

30. The statement of projected cash flow of the Company as of the 1st day of April, 2010 ("**Cash Flow Statement**"), attached as Appendix "B" to this First Report, has been prepared by the management of the Company for the purpose described in the notes to the Cash Flow Statement, using probable and hypothetical assumptions set out in the notes to the Cash Flow Statement.

31. The Proposed Monitor's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to information supplied to us by certain of the management and employees of the Company. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. We have also reviewed the support provided by management of the Company for the probable assumptions, and the preparation and presentation of the Cash Flow Statement.

32. Based on our review, the hypothetical assumptions appear to be reasonable and consistent with the purpose of the projections described in the notes, and the probable assumptions seem to be suitably supported and consistent with the plans of the Company and provide a reasonable basis for the projections. All such assumptions are disclosed in the notes to the Cash Flow Statement.

33. Since the Cash Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow Statement will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this First Report, or relied upon by us in preparing this report.

34. The Cash Flow Statement has been prepared solely for the purpose described in Notes on the face of the Cash Flow Statement, using the probable and hypothetical assumptions set out in Notes on the face of the Cash Flow Statement. Consequently, readers are cautioned that it may not be appropriate for other purposes.

35. The Company's Cash Flow Statement is for a period of thirteen (13) weeks from April 1, 2010 to July 2, 2010. The key assumptions used in the Cash Flow Statement are based on a fiscal year 2010 Operating Plan. The Company's cash balance as of April 1, 2010 is nil. Consequently, the Company will need to use its DIP Facility in order to operate during the CCAA proceedings. As shown on the Cash Flow Statement, the main cash inflows will come from the Syncrude's contract. The Company's management believes that the forecast is reasonable.

36. The Company anticipates tighter payment terms for purchases following the announcement of the CCAA proceedings. As such, the Company has anticipated certain paid upon delivery purchases.

37. The Cash Flow Statement shows the Company's use of its DIP financing to fund the Company's working capital requirements.

CHARGES IN THE PROPOSED INITIAL ORDER

38. The proposed Initial Order provides for a charge in the amount of $3.5 million for the Proposed Monitor, counsel to the Proposed Monitor, the Applicant's counsel and the CRO as security for their professional fees and disbursements incurred before and after the making of the Initial Order in respect of these CCAA

proceedings (the "**Administration Charge**"). The Administration Charge has been established based on the respective professionals' previous history and experience with restructuring of similar magnitude and complexity. The Proposed Monitor believes the Administration Charge is required and is reasonable under the circumstances.

39. The directors' and officers' charge ("**D&O Charge**"), as described in the Koumarelas Affidavit and the proposed Initial Order, provides for a charge in the amount of $5 million as security for various indemnities provided to the director and officers by the Applicant in the proposed Initial Order.

40. The Proposed Monitor has been advised that the D&O Charge is necessary for the continued service of the Applicant's directors and officers during the Company's restructuring and that the quantum has been calculated relative to certain employee-related obligations and goods and services taxes of the Applicant for which the director and officers may be held liable.

41. Given that the Applicant will require the committed involvement of its director and officers to successfully restructure, the Proposed Monitor believes the D&O Charge is required under the circumstances. The Proposed Monitor has been provided with detailed information on a per employee basis in order to calculate the potential exposure.

42. The proposed Initial Order provides for a **Critical Supplier Charge** for those suppliers that would otherwise be entitled to file builders' liens upon the lands that the Applicant does work on or furnished materials in respect of improvements.

43. The proposed Initial Order provides for a charge in the amount of $15 million to secure the DIP Facility ("**DIP Financing Charge**") in order to finance the Applicant's working capital requirements and other general corporate purposes and capital expenditures.

THE PROPOSED MONITOR'S CONCLUSIONS AND RECOMMENDATIONS

44. The Proposed Monitor believes that it is appropriate that the Company be granted the benefit of protection under the CCAA. Such protection will enable the Company to stabilize its operations while reviewing the status of its work in process and exploring all strategic alternatives, including securing new financing.

Moreover, the Company will continue discussions with its key stakeholders regarding its restructuring under the CCAA proceedings.

45. In addition, the Proposed Monitor supports the need for the DIP Facility in order to fund the Company's operations and stabilize their operations during the CCAA proceedings.

46. Further to the Proposed Monitor's review of the proposed Initial Order, the Proposed Monitor supports the charges and thresholds described therein, including, the proposed Administration Charge, the proposed D&O Charge, the proposed Critical Suppliers Charge and the proposed DIP Financing Charge.

47. Considering that some documents reviewed by the Proposed Monitor were still in draft format when this First Report was filed, the Proposed Monitor, if needed, will file a supplemental report before the hearing. The report will be available on the Proposed Monitor website at www.deloitte.com/ca/cowharbour.

The Proposed Monitor respectfully submits to the Court this, its First Report.

Dated at Edmonton, this 1st day of April, 2010

Deloitte & Touche Inc.
in its capacity as Trustee Under a Notice of Intention to Make a
Proposal under the Bankruptcy and Insolvency Act and Proposed Monitor of
Cow Harbour Construction Ltd.

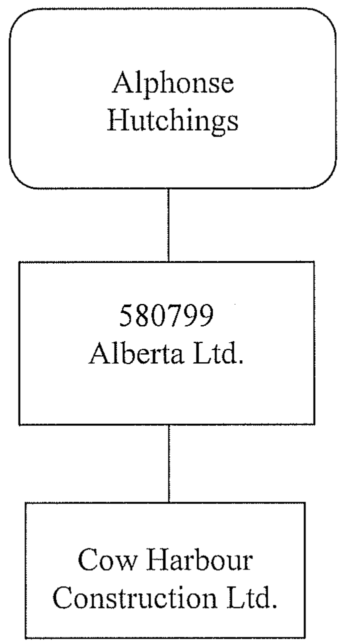
Per:

Gordon Smith
Senior Vice-President

Jeff Keeble
Senior Vice-President

Appendix A

Ownership Structure



Appendix B - The Cash Flow Statement

Proposed Monitor's Report on Cash Flow

The statement of projected cash flow ("**Cash Flow Statement**") attached to this report of the Company as of the 1st day of April, 2010 has been prepared by the management of the Company for the purpose described in the notes to the Cash Flow Statement, using probable and hypothetical assumptions set out in the notes to the Cash Flow Statement.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by certain of the management and employees of the Company. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. We have also reviewed the support provided by management of the Company for the probable assumptions, and the preparation and presentation of the Cash Flow Statement.

The hypothetical assumptions are reasonable and consistent with the purpose of the projections described in the Notes, and the probable assumptions are suitably supported and consistent with the plans of the Company and provide a reasonable basis for the projections. All such assumptions are disclosed in the notes to the Cash Flow Statement.

Since the Cash Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow Statement 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.

The Cash Flow Statement has been prepared solely for the purpose described in notes on the face of the Cash Flow Statement, using the probable and hypothetical assumptions set out in notes on the face of the Cash Flow Statement. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Appendix B (con't)

Cow Harbour Construction Ltd.
Weekly Cash flow projections

					Week 1			Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13
$ in 000s	NOI Filing 1-Apr-10 Projected	2-Apr-10 Projected	5-Apr-10 Projected	6-Apr-10 Projected	CCAA Filing 7-Apr-10 Projected	8-Apr-10 Projected	9-Apr-10 Projected	W/O 16-Apr-10 Projected	W/O 23-Apr-10 Projected	W/O 30-Apr-10 Projected	W/O 7-May-10 Projected	W/O 14-May-10 Projected	W/O 21-May-10 Projected	W/O 28-May-10 Projected	W/O 4-Jun-10 Projected	W/O 11-Jun-10 Projected	W/O 18-Jun-10 Projected	W/O 25-Jun-10 Projected	W/O 2-Jul-10 Projected
Cash Receipts																			
Suncor & Syncrude		-	-	-	-	8,540	-	-	-	16,200	-	3,472	-	-	18,900	-	3,631	-	25,498
Release of Syncrude holdbacks																			10,960
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	8,540	-	-	-	16,200	-	3,472	-	-	18,900	-	3,631	-	36,458
Cash Disbursements																			
Payroll	1,000	-	-	-	-	-	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Source deductions	-	-	-	675	-	-	-	700	700	625	1,250	625	625	625	625	625	625	625	625
GST and corporate taxes	-	-	-	-	-	-	-	-	-	300	-	-	-	-	300	-	-	-	300
Union payments	-	-	-	-	-	-	-	650	-	-	-	650	-	-	-	-	650	-	-
Finning RPO payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans/leases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	981
Operating leases, misc. rentals	-	-	-	-	-	-	12	87	12	12	12	12	87	12	12	12	87	12	12
Supplier payments	-	-	-	250	250	250	250	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Restructuring costs	325	-	-	-	100	400	-	400	15	416	25	315	15	293	15	255	15	235	40
Interest on DIP loan	-	-	-	-	-	-	-	-	-	30	-	-	-	61	-	-	-	71	-
Interest on operating line	-	-	-	-	-	-	-	-	-	256	-	-	-	219	-	-	-	202	-
Payments on new EX1900	-	-	-	-	-	67	-	-	-	-	523	-	-		-	520	-	-	-
Payment of lienable payables										5,000					5,000				
Misc.	-	-	-	-	-	120	-	-	-		120	-	-	-	120	-	-	-	120
	1,325	-	-	925	350	837	1,262	4,037	2,927	8,839	4,130	3,802	2,927	3,410	8,272	3,612	3,577	3,345	4,278
Net cash inflow (outflow) before restructuring	(1,325)	-	-	(925)	(350)	7,703	(1,262)	(4,037)	(2,927)	7,361	(4,130)	(330)	(2,927)	(3,410)	10,628	(3,612)	54	(3,345)	32,180
Bank, opening	(40,272)	(41,597)	(41,597)	(41,597)	(42,522)	(42,872)	(35,169)	(36,431)	(40,468)	(43,395)	(36,034)	(40,164)	(40,494)	(43,421)	(46,831)	(36,203)	(39,814)	(39,760)	(43,105)
Bank, ending	(41,597)	(41,597)	(41,597)	(42,522)	(42,872)	(35,169)	(36,431)	(40,468)	(43,395)	(36,034)	(40,164)	(40,494)	(43,421)	(46,831)	(36,203)	(39,814)	(39,760)	(43,105)	(10,925)
Allocation																			
Payment against pre-CCAA bank line						8,540				2,500					3,100				3,100
Pre-CCAA bank line	(41,597)	(41,597)	(41,597)	(42,522)	(42,872)	(34,332)	(34,332)	(34,332)	(34,332)	(31,832)	(31,832)	(31,832)	(31,832)	(31,832)	(28,732)	(28,732)	(28,732)	(28,732)	(25,632)
DIP Financing	-	-	-	-	-	(904)	(2,099)	(6,136)	(9,063)	(4,202)	(8,332)	(8,662)	(11,589)	(14,999)	(7,471)	(11,083)	(11,029)	(14,373)	14,707

Appendix B (con't)

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 Companies' Creditors Arrangement Act ("CCAA") proceedings.

NOTE B - 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 CCAA 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
Opening cash balance	Based on current bank balances.	X	

Exchange Rate	Exchange rate used by management is approximately USD/CAD = 1.00 / 1.03.		X
Forecast Cash Receipts			
Current A/R collections – Syncrude	Based on management's estimates from the direct billing system used with Syncrude referred to as "TAC". Data is entered into TAC on a daily basis and is evaluated by Syncrude at the end of each month. Payment is received within 30 days of each month end. Holdbacks of 10% will be held by Syncrude until the May 30th billing period, at which point holdbacks will be released on July 2, 2010.		X
Current A/R collections – Suncor	Based on receipt of outstanding amounts over a collection period up to 90 days.		X
Current A/R collections – Other	Based on management's estimate of tax refund timing and amounts over the forecast period.		X
Forecast Cash Disbursements			
Payroll Source deductions	Based on estimated headcount and compensation levels for the forecast period, reduced from the prior year. Payments are based on weekly pay cycle.	X	
Union payments	Based on recent experience and estimated headcount and compensation levels for the forecast period. Payments are based on a monthly pay cycle. These amounts include health insurance, pension, union dues, and other deductions.	X	
GST and corporate taxes	Estimate based on historical costs and management estimates of requirements over the forecast period.		X
Finning RPO payments	Based on a stay of payments for 3 months.	X	

Loans/leases	Based on a stay of payments for 3 months followed by an increase in the payment amount by 2.0% to amortized the capitalized interest during the stay.	X	
Operating leases, miscellaneous rental	Estimate based on historical costs and management's estimates of requirements during the forecast period.		X
Supplier payments	Based on $1.2 million weekly credit on delivery payments.		X
Restructuring costs	Amounts for Chief Restructuring Officer, management's advisors, monitoring and corporate counsel. Fees related to debtor in possession financing have also been included.		X
Interest on DIP loans	Interest is calculated based on 8.25% (an effective rate of prime + 6.0%).	X	
Interest on operating line	Interest is calculated based on 8.25% (an effective rate of prime + 6.0%).	X	
Payments on new EX1900	Based on monthly principal plus interest payments over 7 months. Payments are calculated on the initial balance of $3.35 million at 8.25% interest, with a set up fee of $67,000 due on funding.	X	
Miscellaneous	Miscellaneous amounts relate to vehicle insurance pre-authorized payments.		X
Payments against the pre-CCAA bank line	Based on payment estimates to bring the operating line into compliance over the forecast period.		X

Appendix C

COW HARBOUR CONSTRUCTION LTD.
Balance Sheet

FY 2010	Internally Prepared January
ASSETS	
CURRENT ASSETS	
Cash	- 6,945,208
Accounts Receivable	43,969,995
Accrued Accounts Receivable	2,201,954
Inventory	949,840
Deposits	1,243,142
Prepaid Expense	477,014
TOTAL CURRENT ASSETS	**41,896,737**
INVESTMENTS	
Investments in Marketable Securities	295,019
TOTAL INVESTMENTS	**295,019**
CAPITAL ASSETS	**309,838,105**
DUE TO/FROM AFFILIATES	**11,999,197**
TOTAL ASSETS	**364,029,058**
LIABILITIES	
CURRENT LIABILITIES	
RBC Line of Credit	27,042,101
Accounts payable & accrued liabilities	22,376,465
Corporate Taxes Payable	226,822
Current portion of long term debt & Other	76,382,297
TOTAL CURRENT LIABILITIES	**126,027,685**
LONG TERM LIABILITIES	
Long Term Debt	121,068,273
Deferred Tax	24,194,272
LONG TERM LIABILITIES	**145,262,545**
TOTAL LIABILITIES	**271,290,230**
TOTAL EQUITY	**92,738,828**
LIABILITIES AND EQUITY	**364,029,058**

Appendix C (Continued)

COW HARBOUR CONSTRUCTION LTD.

Internally Prepared

Income Statement

FY 2010

	January
REVENUE	**21,108,135**
EXPENSE	
OPERATING	
Wages & Benefits	9,432,843
Repairs & Mtce.	2,371,235
Amortization	2,328,612
Rent & operating leases	3,890,976
Tires	272,571
Other	309,597
TOTAL OPERATING	**18,605,834**
GROSS MARGIN	**2,502,301**
Gross margin %	**11.9%**
GENERAL	
Interest on long-term debt	1,222,269
Insurance	114,197
Accounting & legal	41,287
Bank Charges & Interest	310,163
Telephone	10,990
Drug testing and training	2,925
Office	4,916
Other	26,668
TOTAL GENERAL	**1,733,414**
INCOME BEFORE TAXES	**768,887**
PROVISION FOR INCOME TAXES	
Estimate - Current & Future	226,822
TOTAL PROVISION FOR INCOME TAXES	**226,822**
NET INCOME	**542,066**

Appendix C (Continued)

COW HARBOUR CONSTRUCTION LTD.

Balance Sheet

FY 2009

	Internally Prepared December
ASSETS	
CURRENT ASSETS	
Cash	- 795,476
Accounts Receivable	31,858,263
Accrued Receivables	2,753,992
Inventory	1,076,325
Deposits	1,746,693
Prepaid Expense	84,014
TOTAL CURRENT ASSETS	**36,723,810**
INVESTMENTS	
Investments in Marketable Securities	295,772
TOTAL INVESTMENTS	**295,772**
CAPITAL ASSETS (NET OF ACCUM. AMORT)	**312,333,738**
DUE TO/FROM AFFILIATES	**12,039,436**
TOTAL ASSETS	**361,392,756**
LIABILITIES	
CURRENT LIABILITIES	
RBC Line of Credit	20,921,329
Accounts payable and accrued liab.	26,467,035
Corporate Taxes Payable	7,294,622
Current portion - Long Term Debt and Other	49,811,152
TOTAL CURRENT LIABILITIES	**104,494,137**
LONG TERM LIABILITIES	
Long Term Debt	148,277,469
Deferred Tax	17,066,142
LONG TERM LIABILITIES	**165,343,611**
OTHER LIABILITIES	**693**
TOTAL LIABILITIES	**269,838,440**
TOTAL EQUITY	**91,554,316**
LIABILITIES AND EQUITY	**361,392,756**

Appendix C (Continued)

COW HARBOUR CONSTRUCTION LTD.

Internally Prepared

Income Statement

FY 2009

	Year to Date
REVENUE	**230,526,855**
EXPENSE	
OPERATING	
Wages & Benefits	88,579,844
Repairs & Mtce.	30,226,428
Amortization	27,211,555
Rent & operating leases	22,203,135
Tires	10,598,852
Other	5,707,823
TOTAL OPERATING	**184,527,636**
GROSS MARGIN	**45,999,219**
Gross margin %	**20.0%**
GENERAL	
Interest on long-term debt	15,956,804
Insurance	1,407,067
Accounting & legal	391,251
Bank Charges & Interest	231,767
Telephone	150,786
Drug testing and training	127,030
Office	107,476
Other	302,060
TOTAL GENERAL	**18,674,240**
OTHER (INCOME)/EXPENSE	**- 76,131**
INCOME BEFORE TAXES	**27,401,110**
PROVISION FOR INCOME TAXES	
Estimate - Current & Prior Years	8,218,557
TOTAL PROVISION FOR INCOME TAXES	**8,218,557**
NET INCOME	**19,182,554**