

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

**TWELFTH 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**" or the "**Interim Lender**") 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 \$250K. 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 \$610K; v) a D&O Charge in an amount up to \$500K; vi) an Administration charge in an amount up to \$600K; 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 nine (9) 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 notices of infraction bearing numbers 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 1, 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 \$8M and the Interim Lender's Charge to \$9.6M.
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 \$17M and Interim Lender's Charge to \$20.4M.
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. On June 16, 2021, the Monitor filed an Application for the Issuance of an Order Approving:
 - (i) a Litigation Funding Agreement;
 - (ii) a Litigation Financing Charge;
 - (iii) the Transfer of Certain Litigation Proceedings Before the Superior Court (Commercial Division); and
 - (iv) an Agreement in Principle to Settle Certain Penal Proceedings (the "**LFA Motion**").

21. On June 22, 2021, the Court rendered an order approving the settlement of the penal proceedings (the "**Penal Proceedings Order**") and postponed to August 12, 2021, the debate on the approval of the litigation funding agreement between Omni Bridgeway (Fund 5) Canada Investments Limited ("**Omni**"), the Monitor, in its capacity as Monitor of Fortress Specialty and Cain Lamarre LLP (the "**Lawyers**") (the "**Litigation Funding Agreement**"), the litigation financing charge in favour of Omni and thereafter of the Lawyers in the amount of \$6M over only the litigation proceeds (the "**Litigation Financing Charge**") and the transfer of the litigation between Fortress Specialty and Goulds Pumps before the Superior Court (Commercial Division) (the "**Litigation Proceedings**").
22. In accordance with the Amended and Restated Initial Order, the Monitor hereby issues its twelfth report (the "**Twelfth Report**"). The purpose of the Twelfth 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 Tenth report (page 6);
 - III. Fortress' cash flow up to July 10, 2021 (13 weeks) (page 8);
 - IV. Fortress' updated cash flow projections for the period from July 11, 2021, to October 2, 2021 (page 9); and
 - V. The Monitor's conclusions (page 10).

I. UPDATE ON FORTRESS' OPERATIONS

23. Since the Tenth Report:

- (i) Fortress has maintained the Pulp Mill and the Cogen Facility in a shutdown mode;
- (ii) The market price of the dissolving pulp continued to be robust and to show some resilience. From \$640 USD per metric ton in December 2019, the price is now up to a range of \$1,000 to \$1,100 USD per metric ton; and
- (iii) Fortress currently employs 14 employees in its Thurso location.

Update on Ongoing Issues with Creditors and Co-contractorsLes Pompes Goulds

24. On June 16, 2021, the Monitor filed the LFA Motion with a view to obtaining the Court's approval of the Litigation Funding Agreement, the Litigation Financing Charge and the transfer of the Litigation before the Superior Court (Commercial Division) and same was, on June 22, 2021. As previously mentioned, at the request of Les Pompes Goulds, the presentation of the LFA Motion was postponed to August 12, 2021.

City of Gatineau

25. The Monitor was made aware that Fortress Specialty received a notice dated May 12, 2021, to the effect that the City of Gatineau would proceed to the sale by public tender of the immovable located at 0, chemin de Montréal Ouest and designated as lot number 2 626 827 pursuant to the *Cities and Towns Act* for non-payment of municipal taxes on July 8, 2021.
26. On June 25, 2021, the Monitor sent a notice of stay of proceedings (the "**Notice of Stay**") to the City of Gatineau informing them of the Stay of Proceedings in respect of Fortress Specialty.

Following the issuance of the Notice of Stay by the Monitor, the aforementioned immovable was removed from the list of buildings to be sold by public tender.

Other

27. As mentioned in the Tenth Report, Fortress, with a view of evaluating all the possible options for the future of the mill, has retained the services of different firms in order to obtain professional and independent opinions with respect to said options.
28. As of the date of this Twelfth Report, their work has been completed and the conclusions were shared with Fortress, the Monitor as well as the secured lenders. These conclusions are currently being reviewed.
29. Fortress, with the assistance of the Monitor, updated its budget for the next 12 months in order to secure additional financing to maintain the minimum maintenance scenario after the end of the Stay Period and to restart the Cogen Facility during fall 2021. Discussions are taking place with the Applicants and a decision regarding next steps is expected to be taken in August 2021.
30. In light of the updated budget, it is now anticipated that Fortress might not have sufficient liquidities to fund its activities until the end of the Stay Period (which is currently set to expire on September 30, 2021). The Interim Lender has been made aware of the situation and ongoing negotiations are taking place with respect to the increase of the Interim Facility. Should Fortress fail to secure the required additional funding the Monitor will report to the Court with respect to same in a timely manner. This updated budget was prepared to reflect a minimum maintenance scenario until the end of the Stay Period.
31. The updated budget also takes into consideration the additional time needed by Fortress 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 REPORTGeneral

32. 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.
33. 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.
34. The Monitor has also analyzed the receipts and disbursements transacted through Fortress' bank accounts on a weekly basis with the full co-operation of Management.

Penal Proceedings

35. Following the issuance of the Penal Proceedings Order, the agreement in principle to settle the Penal Proceedings was accepted by the penal proceedings Court on June 29, 2021. This settlement provided for a guilty plea by Fortress with respect to four (4) notices of infraction and the withdrawal of the other four (4) notices of infraction. The 36-month payment period was also accepted, which will allow Fortress not to use funds from the Interim Facility and consequently will not impair the execution of its restructuring initiatives.

Claims Against the D&O Insurer

36. Since the issuance of the Order Allowing the Distribution of Funds Held in Trust and Assigning Claims to the Monitor, the Monitor has been in constant communication with the D&O insurer and provided same with additional documents with a view to allowing the D&O insurer to further analyze the claim.

Solicitation Process

37. As previously mentioned, the market price of the dissolving pulp has recently stabilized at a 10-year high generating an increase in the activities of some parties interested in the purchase of the Pulp Mill. The market price is still in the range of \$1,000 - \$1,100 USD per metric ton. As comparison, when the mill closed in October 2019, the price was around \$640 USD per metric ton.

38. Since the previous report, Fortress and the Monitor continued to have discussions with different parties that are conducting some due diligence activities. A new party has also expressed interest and signed a non-disclosure agreement. Fortress is working on answering the interested parties' questions and providing them with additional documents and analysis upon requests.

39. Since the Tenth Report, one of the interested parties submitted a letter of intention to Fortress; however this letter of intention was not acceptable in its current form to Fortress' stakeholders. The Monitor understands that there are still ongoing communications with this party regarding a possible transaction.

40. Notwithstanding the foregoing, Fortress and the Monitor are currently engaged in discussion with several serious parties.

41. As mentioned in the previous reports, although the increase in the market price of dissolving pulp and the discussions with different parties is encouraging, the Monitor continues to analyze all available options, including alternative scenarios. The Monitor, Fortress and Fortress' secured lenders continue to have discussion on a regular basis in order to analyze the different scenarios and to plan the next steps before the end of the Stay Period.

Environmental Matters

42. Since the Tenth 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 Twelfth Report, the Monitor has not been made aware of any major issues that would necessitate immediate actions.

III. FORTRESS' CASH FLOW UP TO JULY 10, 2021 (13 WEEKS)

43. Fortress' financial performance highlights for the period from April 11, 2021, to July 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 in the Tenth Report on April 23, 2021 (the "**Initial Cash Flow Statement**"), Fortress experienced a favorable variance of \$189K in cash inflows:
 - i. Fortress collected \$100K more of Interim Financing. As mentioned in the previous report, Fortress had \$0.9M available on its Interim Facility and an additional amount of \$1.7M, not yet secured, was included in the budget. Since then, the Interim Lender made available an additional amount of \$1.1M that was initially pre-authorized in the fall of 2021.
 - ii. Fortress experienced a favorable total variance of 3% in respect of all other cash inflows.

- (ii) compared with the Initial Cash Flow Statement, Fortress experienced a favorable variance of \$461K in cash outflows. The variance is primarily attributable to:
 - i. The unfavorable variance of \$33K in trade payables operation mainly due to unbudgeted environmental related costs.
 - ii. An unfavorable variance of \$59K in payroll mainly due to the timing of group insurance and pension payments (\$36K).
 - iii. An unfavorable variance of \$46K in Hydro-Québec mainly explained by the prepayments. Based on the June invoice from HQ, Fortress was in credit position of \$39K due to higher prepayment than consumption in previous months.
 - iv. A temporary favorable variance of \$398K in municipal taxes.
 - v. A favorable variance of \$343K strictly due to timing since Fortress was waiting to receive all the GST & QST refunds to pay this amount. The payment is planned during the week ending August 7, 2021.
 - vi. The unfavorable variance of \$128K in professional fees is partly due to the payments of external consultants for various matter (\$63K). The balance is mainly due to additional fees incurred related to the CCAA proceedings (solicitation process, financial model and other legal matters).

- (iii) compared with the Initial Cash Flow Statement, Fortress experienced a net favorable variance of approximately \$650K, as explained, mainly related to timing differences.

44. As of the date of this Twelfth 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 12-WEEK CASH FLOW PROJECTIONS

45. Fortress, with the assistance of the Monitor, prepared the statement of projected cash flow (the "**Cash Flow Statement**") for the 12-week period from July 11, 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 Twelfth Report.
46. Fortress returned into a minimum maintenance scenario since the closure of the Cogen Facility in the spring of 2021. The Cash Flow Statement has been prepared to reflect this minimum maintenance scenario.
47. 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**").
48. 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.
49. 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 Twelfth 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.
50. 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.
51. 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.
52. 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 taking place regarding the increase of the current Interim Facility. An

amount of \$0.1M 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 been completely drawn by Fortress.

53. Management has advised the Monitor that it believes that the forecast reflected in the Cash Flow Statement is reasonable.
54. 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 ensures the continued operation of the water treatment plant for the benefit of the City of Thurso.

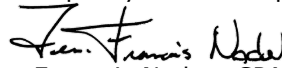
V. THE MONITOR'S CONCLUSIONS

55. The Monitor confirms that there is no further material development to report in this matter at this time, other than what is provided for in this Twelfth Report of the Monitor.
56. However, as previously discussed, the Monitor will report to the Court in a timely manner if Fortress fails to secure additional liquidities which would allow it to fund its activities until the end of the Stay Period (which is currently set to expire on September 30, 2021).
57. The Monitor believes that Fortress has acted, and continues to act, in good faith and with due diligence.
58. The Monitor respectfully submits to the Court this, its Twelfth Report.

DATED AT MONTREAL, this 22nd day of July, 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 Entreprises

Budget-to-Actual Analysis for the 13-week period ended July 10, 2021

(in \$000 CAD)

	<u>For the 13-week period ended July 10, 2021</u>				<u>Note</u>
	<u>Actual</u>	<u>Budget</u>	<u>Var (\$)</u>	<u>Var (%)</u>	
Consolidated Receipts					
GST & QST refunds	964	941	23	2%	
DIP	2,000	1,900	100	5%	Note 1
Other Deposits	66	-	66	0%	Note 2
Total - Receipts	3,030	2,841	189	7%	
Disbursements					
Trade payables - Operation	(104)	(71)	(33)	46%	Note 3
Payroll	(550)	(491)	(59)	12%	Note 4
Hydro-Quebec	(277)	(231)	(46)	20%	Note 5
Hydro-Québec Holdback on Cogen Sales	420	420	-	0%	
Municipal taxes	(336)	(734)	398	-54%	Note 6
Insurance	(28)	(12)	(16)	133%	
GST & QST payments	-	(343)	343	-100%	Note 7
Professional fees	(450)	(322)	(128)	40%	Note 8
Special Projects	(879)	(881)	2	0%	
Total - Disbursements	(2,204)	(2,665)	461	-17%	
Change in Cash-Flow	826	176	650	369%	
Net cash (Shortfall) - Beginning	478	478	-	0%	
Net cash (Shortfall) - Ending	1,304	654	650	99%	

APPENDIX A (con't)

Fortress Global Entreprises - Consolidated

Notes on Budget-to-Actual Analysis

For the 13-week period ended July 10, 2021

Note 1	DIP	Fortress collected \$0.1M more of Interim Financing. As mentioned in the previous report, Fortress had \$0.9M available on its Interim Facility and an additional amount of \$1.7M, not yet secured, was included in the budget. Since then, the Interim Lender made available an additional amount of \$1.1M that was initially pre-authorized in the fall of 2021 creating a favorable variance of \$0.1M.
Note 2	Other deposits	Other deposits include sale of spare parts and other unbudgeted revenues collected by Fortress.
Note 3	Trade payables - Operation	The trade payables operation disbursements of \$104K were higher than the budgeted \$71K, creating an unfavorable variance of \$33K. This is mainly due to unbudgeted environmental related costs.
Note 4	Payroll	The payroll disbursements of \$550K were higher than the budgeted \$491K, creating an unfavorable variance of \$59K. This is mainly due to the timing of group insurance and pension payments (\$36K).
Note 5	Hydro-Québec	Hydro-Québec disbursements totaled \$277K compared to a budget of \$231K. This unfavorable variance of \$46K is mainly explained by the prepayments. Based on the June invoice from HQ, Fortress was in a credit position of \$39K due to higher prepayments than actual consumption in previous months.
Note 6	Municipal taxes	This \$398K favorable variance is temporary and due to timing.
Note 7	GST & QST payments	The favorable variance of \$343K is strictly due to timing since Fortress was waiting to receive all the GST & QST refunds to pay this amount. The payment is planned during the week ending Aug 7, 2021.
Note 8	Professional fees	The unfavorable variance of \$128K in professional fees is partly due to the payments of external consultants for various matters (\$63K). The balance is mainly due to additional fees incurred related to the CCAA proceedings (solicitation process, financial model and other legal matters).

Appendix B

APPENDIX B

Fortress Global Enterprises 12-Week Consolidated Cash-Flow For the period ending October 2, 2021

Consolidated (\$000)	Period ending	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Total</u>
		17-Jul-21	24-Jul-21	31-Jul-21	07-Aug-21	14-Aug-21	21-Aug-21	28-Aug-21	04-Sep-21	11-Sep-21	18-Sep-21	25-Sep-21	02-Oct-21	
Receipts														
GST & QST refunds		-	51	-	-	-	157	-	-	-	36	-	-	244
DIP		-	-	-	-	-	-	-	-	-	100	-	-	100
Total - Receipts		-	51	-	-	-	157	-	-	-	136	-	-	344
Disbursements														
Trade payables - Operation		40	5	5	5	5	5	5	5	5	5	5	5	95
Chemicals		30	-	-	-	-	-	-	-	-	-	-	-	30
Payroll		15	61	-	61	12	61	-	61	12	61	-	61	405
Hydro-Québec		33	6	33	-	-	-	-	-	-	110	-	-	182
Municipal taxes		94	-	-	-	-	-	-	-	-	-	266	-	360
Insurance		-	-	-	6	-	-	-	6	-	-	-	6	18
GST & QST payments		-	-	-	343	-	-	-	-	-	-	-	-	343
Professional fees		25	25	25	13	13	13	13	13	13	13	13	13	192
Total - Disbursements		237	97	63	428	30	79	18	85	30	189	284	85	1,625
Change in Cash-Flow		(237)	(46)	(63)	(428)	(30)	78	(18)	(85)	(30)	(53)	(284)	(85)	(1,281)
Net cash (Shortfall) - Beginning		1,304	1,067	1,021	958	530	500	578	560	475	445	392	108	1,304
Net cash (Shortfall) - End		1,067	1,021	958	530	500	578	560	475	445	392	108	23	23

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	
Chemicals	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	
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