

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

SECOND 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 7, 2010

INTRODUCTION

1. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.
2. This report ("Second Report") is filed with this Honourable Court for the purpose of advising the Court in respect of the economics of Cow Harbour Construction Ltd. (the "Company") purchasing a Hitachi E1900 excavator (the "Excavator").
3. In preparing this Second Report, the Proposed Monitor has relied upon unaudited interim financial information, Company records and discussions with management of the Company and their financial and legal advisors. 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 Second 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.

PURCHASE OF AN EXCAVATOR

4. After the close of business on April 6, 2010, the Proposed Monitor was asked by a secured creditor's legal counsel to prepare a brief commentary regarding the economics of the Company purchasing an excavator. We understand that this letter might be referred to by interested parties for purposes of the April 7, 2010 Court hearing wherein the Company is seeking an Initial Order under the *Companies Creditors' Arrangement Act*. Given the very limited time we have had to prepare this analysis, we have relied solely on representations made by the president of the Company (Mr. Alphonse Hutchings) by way of an April 7, 2010 telephone call. We have not independently confirmed Mr. Hutchings' representations. We assume no responsibility to the Company, its employees, customers, creditors or any other party that relies on this letter. Readers are advised to perform their own analysis as it relates to the subject matter of this letter.

5. The Company previously arranged for the purchase of the Excavator for \$3,300,000. The Excavator was delivered to the Syncrude Canada Ltd. ("Syncrude") mine site by the vendor, Wajax Industries Ltd. While arranging financing for the entire purchase price of the Excavator, the Company used the Excavator for servicing the Syncrude contract. As a result of the proposed lender choosing not to finance the purchase of the Excavator, the Company ceased using the Excavator, which now sits idle on the Syncrude mine site.
6. The Company estimates annual revenues of approximately \$13.8 million if they are able to acquire the Excavator. This is calculated as \$2 per yard of material excavated (to be placed on 200 to 250 ton trucks); 900 yards per hour excavated; 21 operating hours per day; and 365 operating days a year.
7. Annual expenses are estimated at \$1,800,000 per annum. These expenses are calculated as labour costs of approximately \$480,000 (\$55 total hourly payroll cost; 24 hours per day; 365 days per year); fuel costs of \$0 (supplied by Syncrude); service costs of \$35,000 (\$1,000 every 250 hours); repair costs of \$400,000 (e.g. bucket teeth – there is a one year limited warranty on the excavator); amortization costs of \$600,000 (useful life 20 years, however, for purposes of this analysis we assume 20% amortization in the first year); and debt service costs of \$270,000 at 8.25%.
8. Based on the above representations, the purchase of the Excavator should generate annual profits of \$12 million per annum. We expect the profit expectations are optimistic and, as noted above, we have not had sufficient time to verify the representations made to us. Regardless, this would appear to be a very lucrative investment, even if significant contingencies were applied to the profit expectations. Other representations that are informative in analyzing this proposed investment are:
 - Without the purchase of the Excavator, the Company would have to reallocate four Hitachi 850 excavators to perform the planned excavating of the Excavator.

- The Company has a limited number of excavators and the E1900 purchase will not make the other excavators redundant.
- The Excavator is planned to be committed to the Syncrude contract for the entire five year contracted time period plus contract extensions, if obtained.

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

Dated at Edmonton, this 7th 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