



AEP-attn. Geoff Smith
Southern Rockies Area
8660 Bearspaw Dam Road, NW
Calgary, Alta
T3L 1S4

Dec 1, 2019

Dear Geoff:

As one of the conditions of our dispositions, FMH is required to submit a semi-annual report of activities and progress towards re-development of the resort. Please find the following report detailing from the time of our last report June 1, 2019.

Site Work

- Removed three more semi-trailer sized bins of debris, metal and assorted waste from demolished sand shed, behind the Daylodge and from assorted mountain locations.
- Brushing work completed on Friar's Tuck, Watch Me, Turkish Delight, Wall Street, Old T-bar line and several areas on the Far side.
- Canadian lift line cut and partially hauled to parking lot.
- Haulback lift line cut and hauling over snow to base of the Farside ongoing
- Farside lift line cutting underway
- Flail mowing done on Sloe Gin, Raceway, Garden path, Canadian Ridge, Turkish Delight, various flats and connectors
- All of last winter's season film sites inspected in snow free conditions and litter picked as required-very little found which was great and as expected
- Surveys done for all lifts on final alignments - POMA/Leitner working on detailed plans
- Finished road to new Far side Chair unload
- New green run ski-way mostly completed to Devils Gulch from far side road. Crossing Devils gulch and detailed cleanup remains
- Snowmaking dam repair completed and as-built survey sent to AEP water which was accepted
- Reclamation and remediation of backside road from snowmaking dam to bottom of Farside completed
- Grading at base of Farside completed
- Various culvert and drainage improvements
- Triple phase power was restored to the shops over the summer and the Condos were prepared to be turned back on power wise.
- Auxillary genset is in place and the shops received major panel and wiring upgrades and inspections



Film / Photo

Fortress hosted a number of commercial film productions during this reporting period. These productions produced significant trickle-down economic spinoffs for the Kananaskis Valley and the region/province.

- Huawei, June, 1 day
- Co-op commercial, August, 1 day
- Belvedere Vodka commercial, September, 1 day
- VS Pink commercial, October, 1 day
- Hyundai commercial, November, 1 day
- Jeep commercial, November, 1 day
- Jr ski ski commercial, November 1 day

Redevelopment /Project Progression

Golder and Associates wildlife cameras were collected once snow free. Data collected was shared with AEP as per the agreement. 3DS design group and Marshall Tittlemore architects have been hired and are working on detailed Daylodge designs which will be submitted to KID in due course for building permits. Change of Use application to AEP-Water to re-allocate a portion of our existing potable water license for sale was approved as was the application to amend/add a disposition to allow for this-Thank you.

While this approval coupled with the phase one master plan has re-ignited investment interest it is too late to order lifts for next summer installation. This will mean a push for lift construction summer 2021 with opening Dec 2021. Fortress will send a letter asking for an extension amendment and or deal with this when the dispositions are re-opened. Fortress has sent an email to Geoff Smith Nov 18/19 detailing outstanding issues and asking for direction on how AEP would like to proceed with re-opening the dispositions. (added below under outstanding issues).

Education

- University of Calgary, Outdoor Program – AST-1, Introduction to Winter Camping, Introduction to Backcountry Skiing programs will be back this winter.
- White Mountain Adventures will again run a guided snowshoeing operation this winter.
- Continued Wildlife sighting sheet for staff and visitors to share with AB parks and AEP
- University weather, snow melt and vegetation studies continue -University of Saskatchewan, Guelph, Waterloo, University of Alberta, and the University of Calgary.

Cat Skiing Operations

- Cat skiing bookings are looking solid for the season with the team and medical advisors unchanged.

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Avalanche Control and Mountain Safety

- Kananaskis Public safety has asked for our radio frequencies which we have provided them and we also offered the Fortress site to them for any training or snowpack observations they may need/want to conduct.
- Fortress continues to participate in the CAA Info ex avalanche system sharing our data and observations with the industry and public safety on a daily basis- (when in operation or on hill)

Upcoming winter Plans

- Haul timber from Canadian, Haulback and Farside Lift lines with cat as snow and conditions allow.
- Work with lift manufacturer on detailed plans to allow for building permit application
- Finish detailed design for Daylodge for building permit application
- Film and commercial work as requested/approved by TFA

Outstanding issues

Copied from Nov 18/19 email from Chris Mueller to Geoff Smith.

Note-Henri has since gotten back to Chris on the letter hunting email and Geoff has acknowledged receipt of the email -Thanks Henri and Geoff.

- * Film TFA's: nice to see the change to a yearly permit, this is great. We still need to address the many other issues regarding the conditions (which we have detailed to you before) and discuss having this aspect of our operations addressed directly in our dispositions.
- * March 2013 letter: I emailed Henry at the end of October regarding this letter and the hunting issue and did not get any reply. We need to come to resolution on this matter as the current inaction is placing Fortress (and the GoA itself) in a potentially liable position should an incident occur. This is on top of not providing safeties as are required through the Health and Safety Act, as detailed in the email to Henry.
- * Water hauling TFA: I appreciate some of the amendments that were provided based on the mitigations we supplied, along with the co-operation shown. There are two conditions we need to address, that is Condition 10 and Condition 15.
- * Water transfer station disposition (DML190055): Very nice to have this in hand. We have some items we would like to discuss for clarity and some to explore alteration. This does include the removal of Condition 17.
- * On the bear / wildlife front: We require clarity on a few items. This would include the department confirming that it recognizes that this resort will run its winter operations typically from early October through to end of May. Also looking for details on what the department's response

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will be should a bear travel through the area in this period? Or other wildlife? Will it be left to be handled by Fortress via its operational management?

* Water Change of Use application: This was nice to have delivered but we do have a couple of simple questions. Should I deal directly with Pauline on this?

* Re-opening of the three resort dispositions: This has been discussed for some time and, through discussion in our last meeting in October, it is now the time to dive into these to revise many of the clauses that are not reflective of the common operating practices and standards throughout the alpine resort industry. We know the government wants Fortress to succeed and feel we can be an industry leader on many fronts, our dispositions need to reflect the abilities to achieve that. We are working on putting together a document detailing specific concerns, reasoning behind those concerns, and proposed changes. Would you like to attach some timelines on addressing this? Is there a specific approach you would like to suggest?

* Opening date extension. As has been verbally discussed, an extension on the opening date is going to be required. With the delay incurred this summer it is no longer feasible to achieve Dec 2020. Can you detail what is required for this amendment please?

* We would like to open a discussion on the square footage limitations currently in place (i.e. no more than 10,000 square feet of additional space).

Other

Fortress Mountain Holdings was very pleased to see progress on the file in the form of approval of our water change of use. We are also thrilled in regard to the GOA announcement of longer leases for dispositions such as ours which provides more certainty for investors. We look forward to receiving these longer timelines in our dispositions when we re-open them. Thank you.

Sincerely;

Chris Chevalier
President
Fortress Mountain Holdings
PO Box 8173
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CC

cc Thomas Heath, Managing Director
cc John Conrad, ADM, AEP

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