



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

June 1, 2020

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 December 1, 2019.

Site Work

- Removed Haulback lift line timber to base of Farside lift and a portion of Farside timber. Hauled a portion of Canadian lift line timber to parking lot until snowfall stopped operations. With our new snowcat, tested groomed green run track from top of Farside and ski tested it with groups and staff. Worked well. Tested completed repairs on snowmaking dam and control apparatus by slowly filling and releasing water several times. Dam and controls worked well. Have retained Hydrologist, Dick Alison to consult and advise on best system to measure backside creek flows. Manual system installed in April to be up graded too automatic with completion and hookups of water system.

Film / Photo

Due to Covid shutdowns Fortress hosted a smaller number of film and commercial productions than usual during this reporting period until Covid shutdown in March. These productions produced strong trickle down economic spinoffs for the Kananaskis Valley and the region/province. Covid caused loss of film revenue was extreme for us as we had cancellations of booked projects March onwards.

- Hyundai commercial, December, 1 day
- Kia commercial, December, 1 day
- Olympus film shoot, December, 2 days
- Ekali X Illenium, December, 1 day
- Mazda commercial, January, 2020, 3 days
- Travel Alberta, January, 2 days
- Columbia, February, 1 day
- Nature of Things, March, 1 day
- Scouting for fall and next winter projects

Redevelopment /Project Progression

The natural place to play



Worked with lift manufacturer to refine lift designs and detailed operational capabilities. Final lift quotes are now in hand awaiting financing to place order. Worked with interior designer and architect on Daylodge until pausing due to Covid shutdown/finances. With approvals in place for phase one and change in use for a portion of our potable water licence financing efforts were proceeding well. Covid put an abrupt halt to that in early march with investors pausing until there was more global certainty and ability to conduct site visits and meetings. CFO is currently working with BDC, ATB and BMO on a three- way financing package. Fortress in our last update indicated its pleasure at the GOA announcement of longer term leases for tourism and commercial leases. We were told that a 60year lease for ours was imminent and well underway. We have now learned that to obtain a TCL of 60 years we need to apply for a complete new disposition, complete with public and ACO consultation in a process that can and more than likely will be a year and 90 days. As the intent of the longer term leases is to provide more assurance for investment and business owners which is greatly needed, we are dumbfounded at this process which creates more uncertainty than the desired outcome actually provides comfort for! Why not just amend the existing leases? Why is public and ACO consultation required for something that already exists and is approved simply for a longer term? We can understand a process like this for applications for new leases but not existing. Fortress will learn more about the details including potential upward changes to land rent and consider its options in regard to the TCL lease process but is extremely disappointed in the virtually untenable process for what should be standard terms for our types of lease and what was announced with great fanfare... We note that in our last update, Dec 1,2019 we reminded AEP of unanswered questions from a Nov 18th, 2019 email to Geoff Smith on many topics but of most importance the path for an amendment for opening day extension. We have now sent a formal letter asking for this as it is an immediate potential concern for investors so earliest response as discussed in our group virtual meeting on May 27,20 would be appreciated. We will continue to work with AEP on the lease issues/irritants and were pleased to hear Rob Simieritsch state that he understood our concerns on hunting and the lack of ability to control/close areas of the DLOs for public safety. We look forward to resolving these longstanding issues. To sum up, finance is now our biggest challenge due in large part to Covid 19 but we are optimistic of success soon enough to keep moving forward this summer.

Education

- University of Calgary, Outdoor Program – AST-1, Introduction to Winter Camping, Introduction to Backcountry Skiing programs operated again this winter until curtailed by Covid . Good season in an excellent snow year with 450 program participants in avalanche safety courses and intro to back country skiing/snow shelter courses.
- White Mountain Adventures again ran a guided interpretive snowshoeing operation this winter with 73 guests curtailed early due to Covid.
- Continued Wildlife sighting sheet for staff and visitors to share with AB parks and AEP
- University weather, snow melt and vegetation studies continue after Covid re-opening- University of Saskatchewan, Guelph, Waterloo, and the University of Calgary.

The natural place to play



Cat Skiing Operations

- Eighth season of cat skiing operation was slow in December and January but was fully booked in February thru April 12 with good skiing weather and amazing snow conditions. Operations were conducted for 29 days, ending with the Covid 19 shut down March 14 with a total skier count of 374. The early shutdown cost us four weeks of fully booked skiing which was an unfortunate negative financial impact.

Avalanche Control and Mountain Safety

- Study and observations of active avalanche paths on site and adjacent was ongoing through the season. Active control work was conducted through the season on terrain posing a hazard to cat skiing operations. One heli control day required on the access road, bandit chutes and Fortress shoulder area. No Control undertaken in the Artesian area.
- Staff team continued to include Advanced Adventure medics, EMRs, EMTs, and RNs certified members. Dr. Kevin Hanrahan continues as our Medical Director with Dr. Jason Lord-both from Foothills Emergency.
- One guest injury and no staff injuries.

Upcoming Summer/fall Plans

Summer plans are impacted by COVID and GOA return to work guidelines as well as financing. Opening lease extension (for BDC financing) and return of security deposit will allow summer work to start.

- Continued glading / brushing, flail mowing program to catch up on unmaintained runs and gladed terrain.
- Finish liftlines, stumping and timber removal, brush burning
- Clean up edges of road too new Farside unload location and skier track
- Finish water system-place water treatment plant on foundation, connect already installed piping and repair reservoir liner. Repair sewer pipes and add spurs as required. Connect holding tank and transfer station to existing piping
- Finish detailed design for Daylodge
- Continued clean up of the resort and making drainage improvements
- Restart condos for office space and ski patrol infirmary
- Plan with Fortis transformer locations for lifts and Daylodge.
- Film and commercial work as requested/approved by TFA



Outstanding issues

- Resolve issues with DML/DLO concerns with AEP per letter sent to ESRD March 7, 2013. More detail and proposed wordings added in memo circulated for discussion in group virtual meeting May 27, 2020.
- Opening day extension request to allay concerns from BDC requested as soon as possible to allow summer work financing and full package financing.
- Return of \$200000 security deposit to assist with short term cash and spring work
- Request TFA for guided hiking for this fall and summer while discussion on adding summer use goes on. This will help in some part to fill hotel rooms and create economic activity in the valley with achievable social distancing in Covid reopening phases.

Sincerely;

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CC

cc Thomas Heath, Managing Director
cc Hal Danchilla, Fortress Government relations