Court File No. CV-20-00638930-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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 COMPROMISE OR ARRANGEMENT OF CANNTRUST HOLDINGS INC., CANNTRUST INC., CTI HOLDINGS (OSOYOOS) INC. AND ELMCLIFFE INVESTMENTS INC.

Applicants

SUPPLEMENT TO THE ELEVENTH REPORT OF THE MONITOR

Dated June 4, 2021

PURPOSE

1. This report (the "**Supplemental Eleventh Report**") supplements the eleventh report of the Monitor dated June 2, 2021 (the "**Eleventh Report**"). All capitalized terms used but not defined in the Supplemental Eleventh Report shall have the meanings given to the in the Eleventh Report.

2. The purpose of this Supplemental Eleventh Report to provide an update and/or report to the Court on the following matters related to the Applicants' motion for a stay extension in connection with the CCAA Sanction Order that they are seeking, which is returnable June 11, 2021:

    a) the Applicants' receipts and disbursements for the period from April 19, 2021 to May 30, 2021 compared to the cash flow forecast (the "**Ninth Report Cash Flow Forecast**") appended as Appendix "A" to the ninth report of the Monitor dated April 22, 2021 (the "**Ninth Report**");

    b) the Applicants' cash flow forecast for the period from May 31, 2021 to September 5, 2021 (the "**Cash Flow Forecast**"); and

c) the Monitor's recommendation in respect of the Applicants' request for an extension to the Stay Period to the earlier of: (i) the Effective Time; and (ii) September 3, 2021.

TERMS OF REFERENCE

3. In preparing this Supplemental Eleventh Report and making the comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, books and records prepared by the Applicants, discussions with management of the Applicants ("**Management**"), and information from other third-party sources (collectively, the "**Information**").

4. The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Canadian auditing standards ("**CAS**") or any other standards pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CAS or any other standards in respect of the Information.

5. Some of the information referred to in this Supplemental Eleventh Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Chartered Professional Accountants Canada Handbook, has not been performed.

6. Future-oriented financial information referred to in this Supplemental Eleventh Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

7. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in this Supplemental Eleventh Report concerning the Applicants and their business is based on the Information, and not independent factual determinations made by the Monitor.

8. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

9. All court documents and materials related to these CCAA Proceedings have been posted on the Monitor's website at www.ey.com/ca/canntrust (the "**Monitor's Website**").

APPLICANTS' RECEIPTS AND DISBURSEMENTS

10. A summary of the Applicants' actual receipts and disbursements during the period from April 19, 2021 to May 30, 2021 (the "**Reporting Period**") as compared to the Ninth Report Cash Flow Forecast covering the same period (the "**Variance Analysis**") is attached as **Appendix "A"** to this Supplemental Eleventh Report.

11. During the Reporting Period, the Applicants incurred a net cash outflow of approximately $5.9 million. The receipts were comprised of the sale of cannabis inventory and the sale of redundant equipment. The disbursements relate mainly to payroll and employee-related expenses, marketing costs, utilities, costs related to the DIP and Exit Loan and production costs. As at May 30, 2021 the Applicants' cash on hand was approximately $57.8 million.

12. The favourable cash position variance for the Reporting Period of approximately $2.4 million results from cost-saving initiatives to offset lower sales volumes and timing differences that are expected to reverse in June for professional fees, warehouse costs and equipment lease payments. Details of both the permanent and timing differences are attached to the Variance Analysis.

13. CannTrust Holdings has made, with approval from the Monitor, Intercompany Advances (as that term is defined in the Amended and Restated Initial Order) of $3 million during the Reporting Period to fund disbursements of the other Applicants. This is $7 million lower than forecast due to the favourable cash flow variance. The total Intercompany Advances since the Filing Date are $53.3 million.

OVERVIEW OF APPLICANTS' CASH FLOW FORECAST OVER THE STAY PERIOD

14. The Applicants, with the assistance of the CRO, and in consultation with the Monitor, have prepared a cash flow forecast (the "**Cash Flow Forecast**") running from May 31, 2021 to

the week ending September 5, 2021 (the "**Forecast Period**"). The Cash Flow Forecast has been prepared based on the assumption that the CCAA Plan is not implemented during the Forecast Period to demonstrate that the Applicants will have sufficient liquidity if the maximum length of the proposed extension of the Stay Period is required. The Cash Flow Forecast is attached as **Appendix "B"** to this Supplemental Eleventh Report.

15. The Cash Flow Forecast shows that during the Forecast Period, the Applicants will have receipts from sales of cannabis products and interest income of approximately $2.1 million and estimated total combined disbursements of approximately $20.1 million for a forecast net cash outflow of $18.0 million. The Applicants anticipate Intercompany Advances of $20 million during the Forecast Period.

16. The Applicants are seeking an order to approve the sale of one of the parcels of land in British Columbia on June 9, 2021. As this sale is subject to Court approval, it has not been included in the Cash Flow Forecast.

17. As required by the CCAA Plan, the Applicants will be required to pay certain amounts to secured creditors and unsecured creditors and will be required to make a $50 million contribution to the Securities Claimant Trust. As such, the Applicants have set aside $52.5 million in GICs to fund these future cash requirements that will be required to implement the CCAA Plan. In order to maintain these funds in the GICs, the Applicants forecast that they will require draws of approximately $20 million and will make repayments of approximately $1.2 million for a net draw of approximately $18.8 million from the DIP and Exit Loan to support their operations during the Forecast Period. The accrued interest and fees during the Forecast Period under the DIP and Exit Loan are $508,000, of which approximately $51,000 will be accrued and not paid at the end of the Forecast Period. The ending balance of the DIP and Exit Loan at the end of the Forecast Period is approximately $18.9 million.

18. Prior to the Filing Date, CRA had placed on hold on all HST Refunds for all of the Applicants until CRA has completed its HST and payroll audits. These audits remain in progress, and CRA has not given any indication of when these audits will be completed.

Due to the uncertainty of the release of the HST Refunds, they have not been included in the Cash Flow Forecast.

STAY EXTENSION

19. The Stay Period is currently set to expire on June 30, 2021. The Applicants are requesting an extension of the Stay Period until and including the earlier of: (i) the Effective Time; and (ii) September 3, 2021.

20. The Monitor is of the view that the requested extension of the Stay Period is appropriate because the Applicants have continued to act in good faith and with due diligence since the Filing Date and the extension would allow the Applicants to work toward implementation of the CCAA Plan if the Court sees fit to grant the proposed CCAA Sanction Order.

21. Based on the Cash Flow Forecast, the Monitor believes that the Applicants will have sufficient liquidity to fund their operations through to September 3, 2021, the maximum length of the proposed extension of the Stay Period.

22. For the foregoing reasons, the Monitor supports the Applicants' request for an order extending the Stay Period until and including the earlier of: (i) the Effective Time; and (ii) September 3, 2021.

All of which is respectfully submitted this 4th day of June 2021.

ERNST & YOUNG INC., in its capacity as Monitor of the Applicants, and not in its corporate or personal capacity.

per:

Alex Morrison, CPA, CA, CIRP, LIT
Senior Vice President

Karen Fung, CPA, CA, CIRP, LIT
Vice President

APPENDIX "A"

VARIANCE ANALYSIS

CannTrust Variance Analysis (CAD $000s)	Notes	Cumulative for the period April 19, 2021 to May 30, 2021 Forecast	 Actual	 Variance
Receipts				
Receipts from Operations	[1]	479	214	(265)
Other Receipts	[2]	9	118	109
Total Receipts		**488**	**332**	**(156)**
Operating Disbursements				
Payroll and benefits	[3]	(2,359)	(2,423)	(64)
Property Leases		(115)	(125)	(10)
Utilities	[4]	(1,177)	(530)	647
Other operating expenses	[5]	(4,200)	(2,925)	1,275
Capital expenditures		(70)	(15)	55
Total Operating Disbursements		**(7,921)**	**(6,018)**	**1,903**
Cash Flow From Operations		**(7,433)**	**(5,686)**	**1,747**
Restructuring Disbursements				
Professional fees	[6]	(792)	(187)	605
KERP		-	-	-
Total Restructuring Disbursements		(792)	(187)	605
Net Cash Inflows / (Outflows)		**(8,225)**	**(5,873)**	**2,352**
Cash *				
Beginning Balance		63,698	63,698	-
Net Cash Inflows / (Outflows)		(8,225)	(5,873)	2,352
Ending Balance		**55,473**	**57,825**	**2,352**
Intercompany Advances	[7]	(10,000)	(3,000)	7,000

* Cash balances exclude amounts held in the D&O Trust.

Notes to the Variance Analysis:

[1] Receipts from Operations – Unfavourable permanent variance of $265,000 due to lower than anticipated market demands for medical and recreational, and bulk cannabis sales. There continues to be a challenge in the market with lower than anticipated market prices and volumes available.

[2] Other Receipts – There is a positive permanent variance of $109,000 due to sale of redundant equipment and materials from the property in BC and Fenwick.

[3] Payroll and Benefits – The negative difference of $64,000 is due to higher hourly wages of approximately $26,000 with the remainder as timing differences.

[4] Utilities – CannTrust's usage of natural gas and carbon dioxide gas is lower than forecast due to lower than anticipated production for the Forecast Period. This results in a permanent positive variance of $285,000. In addition, there is a temporary positive variance of $362,000 that is expected reverse in subsequent weeks due to the timing of the invoices.

[5] Other Operating Expenses – The overall positive variance of $1,275,000 is due to:

- positive permanent difference of $749,000 related to lower spend on marketing, IT, production costs, freight and taxes as a result cost savings initiative in response to the lower than expected sales
- positive timing difference of $220,000 due to the timing of payments for the warehouse costs
- positive timing difference of $170,000 due to the timing of payments for IT invoices
- positive timing difference of $459,000 related to unbilled professional fees which are expected to reverse
- positive timing difference of $183,000 related to the timing of other bill payments
- negative permanent difference of $506,000 related to the payments pursuant to the DIP and Exit Loan not included in previous cash flow forecast as it was prior to DIP and Exit Loan approval

[6] Professional Fees – The positive timing difference of $605,000 is due to outstanding invoices to be paid in June.

[7] Intercompany Advance – Intercompany Advances from CannTrust Holdings Inc. were made to CannTrust Inc. during the Reporting Period. CannTrust Inc. drew $7,000,000 less than anticipated as they required less cash.

APPENDIX "B"

CASH FLOW FORECAST

CANNTRUST

CCAA Cash Flow Forecast [1]

In thousands $CAD

Forecast Week Ending (Sunday)		06-Jun-21	13-Jun-21	20-Jun-21	27-Jun-21	04-Jul-21	11-Jul-21	18-Jul-21	25-Jul-21	01-Aug-21	08-Aug-21
Forecast Week		1	2	3	4	5	6	7	8	9	10
Receipts											
Receipts from Operations	[2]	62	53	54	44	32	168	168	188	177	240
Other Receipts/ (Service Charges)	[3]	-	-	24	-	(8)	-	-	-	(8)	-
Total Receipts		62	53	78	44	24	168	168	188	169	240
Operating disbursements											
Payroll and Benefits	[4]	(50)	(808)	-	(830)	(50)	(830)	-	(830)	(50)	(830)
Property Leases	[5]	-	-	-	-	(58)	-	-	-	(58)	-
Utilities	[6]	(523)	(28)	-	-	(636)	-	(24)	-	(518)	(118)
Other Operating Expenses	[7]	(196)	(807)	(402)	(570)	(751)	(535)	(323)	(535)	(934)	(587)
Capital Expenditures	[8]	(62)	-	-	-	-	-	-	-	-	-
Total Operating Disbursements		(831)	(1,643)	(402)	(1,400)	(1,495)	(1,365)	(347)	(1,365)	(1,560)	(1,535)
Cash from Operations		**(769)**	**(1,590)**	**(324)**	**(1,356)**	**(1,471)**	**(1,197)**	**(179)**	**(1,177)**	**(1,391)**	**(1,295)**
Restructuring Disbursements											
Total Restructuring Disbursements		(1,079)	-	(335)	(17)	(424)	-	(278)	(17)	(335)	-
Net Cash Inflows / (Outflows)		**(1,848)**	**(1,590)**	**(659)**	**(1,373)**	**(1,895)**	**(1,197)**	**(457)**	**(1,194)**	**(1,726)**	**(1,295)**
Cash											
Beginning Balance	[10]	57,825	60,977	59,349	58,652	62,251	60,241	58,974	58,447	62,163	60,219
Net Cash Inflows / (Outflows)		(1,848)	(1,590)	(659)	(1,373)	(1,895)	(1,197)	(457)	(1,194)	(1,726)	(1,295)
(Interest payments)		-	-	-	-	(99)	-	-	-	(139)	-
DIP Draws / (Repayments)		5,000	(38)	(38)	4,972	(16)	(70)	(70)	4,910	(79)	(147)
Ending Balance		**60,977**	**59,349**	**58,652**	**62,251**	**60,241**	**58,974**	**58,447**	**62,163**	**60,219**	**58,777**
DIP Facility											
Beginning Balance		-	5,018	5,007	4,996	9,995	9,915	9,880	9,845	14,790	14,615
DIP Draws / (Repayments)	[11]	5,000	(38)	(38)	4,972	(16)	(70)	(70)	4,910	(79)	(147)
Interest accrual / (payments)	[12]	18	27	27	27	(64)	35	35	35	(96)	43
Ending Balance		**5,018**	**5,007**	**4,996**	**9,995**	**9,915**	**9,880**	**9,845**	**14,790**	**14,615**	**14,511**
Intercompany Advances	[13]										
Beginning Balance		53,300	58,300	58,300	58,300	63,300	63,300	63,300	63,300	63,300	68,300
Intercompany Advances		5,000	-	-	5,000	-	-	-	-	5,000	-
Cumulative Intercompany Advances		**58,300**	**58,300**	**58,300**	**63,300**	**63,300**	**63,300**	**63,300**	**63,300**	**68,300**	**68,300**

CANNTRUST

CCAA Cash Flow Forecast [1]

In thousands $CAD

Forecast Week Ending (Sunday)		15-Aug-21	22-Aug-21	29-Aug-21	05-Sep-21	Total
Forecast Week		11	12	13	14	
Receipts						
Receipts from Operations	[2]	240	240	240	240	2,146
Other Receipts/ (Service Charges)	[3]	-	-	-	(8)	-
Total Receipts		240	240	240	232	2,146
Operating disbursements						
Payroll and Benefits	[4]	-	(830)	(50)	(830)	(5,988)
Property Leases	[5]	-	-	-	(58)	(174)
Utilities	[6]	(24)	-	-	(636)	(2,507)
Other Operating Expenses	[7]	(371)	(587)	(300)	(1,413)	(8,311)
Capital Expenditures	[8]	-	-	-	-	(62)
Total Operating Disbursements		(395)	(1,417)	(350)	(2,937)	**(17,042)**
Cash from Operations		**(155)**	**(1,177)**	**(110)**	**(2,705)**	**(14,896)**
Restructuring Disbursements						
Total Restructuring Disbursements		(278)	(17)	-	(335)	(3,115)
Net Cash Inflows / (Outflows)		**(433)**	**(1,194)**	**(110)**	**(3,040)**	**(18,011)**
Cash						
Beginning Balance	[10]	58,777	58,197	61,856	61,599	57,825
Net Cash Inflows / (Outflows)		(433)	(1,194)	(110)	(3,040)	(18,011)
(Interest payments)		-	-	-	(220)	(458)
DIP Draws / (Repayments)		(147)	4,853	(147)	(147)	18,836
Ending Balance		**58,197**	**61,856**	**61,599**	**58,192**	**58,192**
DIP Facility						
Beginning Balance		14,511	14,406	19,301	19,204	-
DIP Draws / (Repayments)	[11]	(147)	4,853	(147)	(147)	18,836
Interest accrual / (payments)	[12]	42	42	50	(170)	51
Ending Balance		**14,406**	**19,301**	**19,204**	**18,887**	**18,887**
Intercompany Advances	[13]					
Beginning Balance		68,300	68,300	68,300	68,300	53,300
Intercompany Advances		-	-	-	5,000	20,000
Cumulative Intercompany Advances		**68,300**	**68,300**	**68,300**	**73,300**	**73,300**

Notes to Cash Flow Forecast:

[1] The purpose of this Eleventh Report Cash Flow Forecast is to estimate the liquidity requirements of the Applicants ("CannTrust" or the "Company") during the Forecast Period.

[2] Receipts from Operations – Include collections of both medical and recreational cannabis sales and are based on management's current sales forecast and customer payment terms.

[3] Other Receipts – Forecast other receipts includes interest income net of bank fees. The proceeds of the sale of one of the parcels in British Columbia have not been included as the sale is pending approval by the Court.

[4] Payroll and Benefits – Based on the Company's payroll calendar and labour forecast.

[5] Property Leases – Include monthly lease-related payments in respect of the Vaughan Facility.

[6] Utilities – Include hydro, gas and other utility payments as well as scheduled payments pursuant to the Company's co-generation agreement in respect of the Fenwick Facility.

[7] Other Operating Expense Disbursements – Include production costs, on-going marketing, consulting & professional fees and general and administrative costs and are based on the Company's internal budget.

[8] Capital Expenditures – The Applicants have limited capital expenditures.

[9] Restructuring Disbursements – Include the professional fees for legal and financial advisors associated with the CCAA proceedings. Forecast is based on guidance from various legal and professional firms engaged.

[10] Beginning Cash Balance – Cash and short-term investments as at May 31, 2021. This balance includes $50 million and the $900,000 that is contemplated in the CCAA Plan for the Securities Claimant Trust, GUC Distribution Pool, and secured claims, respectively. In addition, other amounts that would be reserved for are secured claims for the CCAA Plan Companies and the unsecured creditors of CannTrust Holdings Inc.

[11] DIP Facility Draw/(repayments) – The DIP & Exit Loan requires the draws to be in a minimal amount in certain increments above such amount. These details have been sealed by the Court. In addition, there are mandatory repayment from the disposition of real estate collateral and certain sales receipts.

[12] DIP Facility Interest and Fees/(payments) – The DIP & Exit Loan charges interest on the outstanding amounts. It also charges a utilization fee on the Facility Limit less the advanced and outstanding amounts. The interest and fees accrue daily and are paid monthly. The rate/fee details have been sealed by the Court.

[13] Intercompany Advances – Pursuant to the Amended and Restated Initial Order, CannTrust Holdings Inc. (the "Intercompany Lender") is authorized to provide loan funding to the other Applicants (the "Intercompany Borrowers") to meet ongoing expenditures as needed. Intercompany Advances presented in the table above captures the net forecast amounts advanced by CannTrust Holdings Inc. to the Intercompany Borrowers.

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ELEVENTH REPORT OF THE MONITOR
(June 4, 2021)

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