



REPORT OF THE TRUSTEE'S PRELIMINARY ADMINISTRATION
IN THE MATTER OF THE BANKRUPTCY OF
SPARTAN BIOSCIENCE INC.

December 17, 2021

Ernst & Young Inc.

by Mr. Greg J. Adams, Trustee

Superintendent's File No. 33-2787239

SECTION A **The Trustee's duties under Section 16 (3) and 13.4 of the Bankruptcy Act**

On April 5, 2021, Spartan Bioscience Inc. (“**Spartan**” or the “**Company**”) filed a Notice of Intention to File a Proposal (“**NOI**”). On June 21, 2021, Spartan’s NOI proceeding was continued under the *Companies’ Creditors Arrangement Act* (“**CCA**”). Ernst & Young Inc. was appointed Monitor pursuant to the CCA. On December 1, 2021 the Monitor filed an assignment in bankruptcy and Ernst & Young Inc. was appointed as Trustee in Bankruptcy. A statement of affairs was prepared and filed with the Official Receiver on the same date.

Spartan was an innovative DNA diagnostics company with technology that was targeted to provide the point of care market with accurate, rapid, cost effective molecular testing. Decentralized testing at the point of need rather than using traditional centralized laboratories is intended to enable faster and more widespread diagnosis capabilities resulting in lower cost to treat while at the same time improving time to effective treatment of identified illnesses and pathogens.

With the global outbreak of COVID-19 in early 2020, Spartan pivoted its business to rapidly develop a COVID-19 test for the detection of the SARS-CoV-2 virus. Through advance payments from the Canadian federal and provincial governments as well as certain commercial customers, Spartan developed and ramped up production of its rapid, point of care PCR COVID-19 test. It was approved by Health Canada under an interim order for sales to both government and commercial organizations.

After market introduction, Spartan’s COVID-19 test showed some performance-related issues in the field, including higher than previously observed incidence of returning “inconclusive” results (the “**Technological Challenge**”) than its clinical trials. Spartan began an investigation into the root causes of the Technological Challenge and voluntarily paused production and shipment of its COVID-19 test kits.

Due to these issues with the COVID-19 test, Spartan faced significant near-term financial pressure, owing in large part to its efforts to ramp up manufacturing and build product inventory to supply Canada’s needs as quickly as possible. This, combined with not being able to ship and bill for its COVID-19 test product, put the Company in a working capital shortage, and rendered Spartan insolvent. Spartan took the decision to file an NOI.

After the filing of the NOI and during the course of the CCAA proceedings, Spartan embarked on a court supervised Sales and Investment Solicitation Process (the “SISP”). The SISP resulted in a sale of Spartan’s assets pursuant to an asset purchase agreement with 2856031 Ontario Inc. (currently Genomadix Inc. or the “Purchaser”) (the “Transaction”) which was approved by the Court on September 3, 2021. A credit bid structure and a subsequent agreement between Casa Dea Finance Ltd. and BDC Capital Inc. resulted in the debt of these two secured creditors being satisfied by the Transaction.

On September 3, 2021 the Court also granted an order which would provide enhanced powers to Spartan’s Monitor, including the power to bankrupt Spartan as Spartan’s board of directors would resign upon the closing of the Transaction. The Transaction closed September 9, 2021 and the Monitor’s enhanced powers became effective at that time. Once the transition of the business from Spartan to the Purchaser was complete, the Monitor assigned Spartan into bankruptcy.

Spartan has no remaining assets or operations.

Details of Spartan’s NOI and CCAA proceedings can be found on the Monitor’s website at www.ey.com/ca/spartan

Section B Conservatory and Protective Measures

The Trustee has taken the following conservatory and protective measures:

- Separate books and records were set up to record the transactions of the Trustee.
- A bank account has been opened in the name of Ernst & Young Inc., Trustee of the bankrupt.
- The Trustee is in the process of requesting Spartan’s service provider prepare T4s for all former employees and ROEs for issuance to the employees terminated as a result of the bankruptcy.
- The Trustee, by virtue of an agreement reached with the Purchaser, has ongoing access to certain books and records, including bank statements, payroll, and tax records and will be working with the Purchaser to file the necessary outstanding tax filings.

SECTION C Legal Proceedings

Ernst & Young Inc. has not commenced any legal proceedings at this time.

SECTION D Provable Claims/Anticipated Realizations

The Trustee has received, to date, 19 proofs of claim totaling \$10,419,640.41. As a result of the Transaction described above there will be no recovery for the unsecured creditors nor will there be any recovery to the shareholders of Spartan.



SECTION E **Reviewable Transactions and Preference Payments**

The Trustee has not completed its review of the Company's records to determine reviewable transactions and/or preference payments. The Trustee will report any findings to the Inspector(s) should any be appointed.