

**ESTATE NO: 11-2960200  
COURT FILE: B-230269  
VANCOUVER REGISTRY**

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF  
TANTALUS LABS LTD.**

**THIRD REPORT OF THE PROPOSAL TRUSTEE**

**ERNST & YOUNG INC.**

**August 24, 2023**

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## INTRODUCTION

1. On June 28, 2023 (the “**Filing Date**”), Tantalus Labs Ltd. (the “**Company**” or “**Tantalus**”) filed a Notice of Intention to make a Proposal (“**NOI**”) pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B.-3, as amended (the “**BIA**”).
2. Ernst & Young Inc. consented to act as the trustee under the NOI and as proposal trustee in this matter (collectively, the “**Proposal Trustee**”).
3. Pursuant to section 69(1) of the BIA, a stay of proceedings has been in effect with respect to the Company since the filing of the NOI (the “**Stay**”).
4. In accordance with paragraph 62(1) of the BIA, the Company had until July 28, 2023 to file a proposal.
5. On July 27, 2023, this Honourable Court granted an order, *inter alia*, extending the stay period to Sunday, August 27, 2023 (the “**Stay Period**”).

### Previous Orders of this Honourable Court

6. The Orders granted by this Honourable Court on July 10, 2023 and July 13, 2023 are described in the Second Report of the Proposal Trustee and in the Seventh Sutton Affidavit (defined below).
7. On July 27, 2023, this Honourable Court granted Orders:
  - a) extending the Stay Period as discussed above, in order for Tantalus to file a viable proposal to its creditors;
  - b) approving the sale transaction (the “**Remaining Cannabis Inventory Transaction**”) for the remaining cannabis and cannabis-related inventory

(the “**Remaining Cannabis Inventory**”) held by Tantalus to Atlantic Cultivation Ltd. (“**Atlantic**”) contemplated by a purchase order, dated July 19, 2023 and closing July 27, 2023 (the “**Purchase Order**”);

- c) vesting in Atlantic all of Tantalus’ right, title, and interest in and to the Remaining Cannabis Inventory free and clear of any and all liens, charges and security interests and other encumbrances;
- d) approving the sales transactions (the “**Employee Transactions**”) for the sale of the Employee Equipment (as defined in the Second Report) to Tantalus employees seeking to purchase the Employee Equipment (the “**Purchasing Employees**”);
- e) vesting in the Purchasing Employees all of Tantalus’ right, title and interest in and to the Employee Equipment free and clear of any and all liens, charges and security interests and other encumbrances;
- f) approving the sale transaction (the “**Paxiom Transaction**”) contemplated by the purchase order dated July 17, 2023 (the “**Paxiom Agreement**”) for sale of the Paxiom Machine (as defined in the Second Report) to Revelation Machinery, LC (“**Revelation**”);
- g) vesting in Revelation all of Tantalus’ right, title and interest in and to the Paxiom Machine free and clear of any and all liens, charges and security interests and other encumbrances;
- h) authorizing Tantalus to take such additional steps and execute such additional documents as may be necessary or desirable for the completion

of the Paxiom Transaction, the Employee Transactions, and the Remaining Cannabis Inventory Transaction;

- i) amending the terms of the Success Fee granted by this Honourable Court on July 13, 2023; and
- j) sealing the Sixth Sutton Affidavit, which contains Confidential Exhibit “A” and Confidential Exhibit “B”.

#### Current Relief Sought

8. On August 23, 2023, the Company filed an application (the “**Company’s Application**”) for a hearing scheduled before this Honourable Court on Friday, August 25, 2023, including the seventh affidavit of Dan Sutton sworn August 23, 2023 (the “**Seventh Sutton Affidavit**”), requesting that this Honourable Court make an Order granting, *inter alia*, the following relief:

#### The Brand and Other Asset Transaction

- a) approving the sale transaction (the “**Brand and Other Asset Transaction**”) contemplated by a binding asset purchase letter dated July 29, 2023, as amended by an amending agreement dated August 4, 2023, and as further amended by an amending agreement dated August 17, 2023 (together, the “**Brand and Other Asset Agreement**”), between Tantalus, as vendor, and Atlantic, as purchaser, for the sale of the Brand and Other Assets (as defined below). A copy of the Brand and Other Asset Agreement is attached as Exhibit “A” to the Seventh Sutton Affidavit;

- b) authorizing Tantalus to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Brand and Other Asset Transaction;
- c) vesting in Atlantic all of Tantalus' right, title, and interest in and to the Brand and Other Assets free and clear of any and all liens, charges and security interests and other encumbrances;
- d) in the event that these NOI proceedings cease, and the Proposal Trustee is replaced by a trustee in bankruptcy or a court or privately-appointed receiver in respect of Tantalus, such trustee or receiver shall have all power and authority necessary to complete the Brand and Other Asset Transaction if the Brand and Other Asset Transaction closes after August 27, 2023;
- e) the vesting of the Brand and Other Assets in Atlantic shall be binding on any trustee in bankruptcy or any court or privately-appointed receiver of Tantalus and shall not be void or voidable by creditors of Tantalus;

#### The Share Transaction

- f) approving the sale transaction (the "**Share Transaction**") contemplated by the Share Purchase Agreement dated August 22, 2023 (the "**Share Agreement**"), between Tantalus and Yaletown Innovation Growth II Limited Partnership ("**Yaletown LP**"), for the sale of the Elevated Shares (defined below), a copy of which is attached as Exhibit "D" to the Seventh Sutton Affidavit;

- g) authorizing and directing Tantalus to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Share Transaction and for conveyance to Yaletown LP of the Elevated Shares;
- h) vesting in Yaletown LP all of Tantalus' right, title, and interest in and to the Elevated Shares free and clear of any and all liens, charges and security interests and other encumbrances;
- i) in the event that these NOI proceedings cease, and the Proposal Trustee is replaced by a trustee in bankruptcy or a court or privately-appointed receiver in respect of Tantalus, such trustee in or receiver shall have all power and authority necessary to complete the Share Transaction if the Share Transaction closes after August 27, 2023;
- j) the vesting of the Purchased Shares in Yaletown LP shall be binding on any trustee in bankruptcy or any court or privately-appointed receiver of Tantalus and shall not be void or voidable by creditors of Tantalus;

#### The Auction Process

- k) approving and accepting the terms of the Able Solutions Inc., operating as Able Auctions (the "**Auctioneer**"), proposal dated July 17, 2023 (the "**Auction Agreement**"), for the sale of the Auction Assets (as defined below) at auction (the "**Auction**");
- l) authorizing Tantalus to conclude the transactions contemplated by the Auction Agreement and to take all steps reasonably required to carry out

the sale of the Auction Assets at Auction under the Auction Agreement and execute all such documents as may reasonably be necessary to complete the transactions contemplated therein;

m) vesting in the respective Auction Purchaser (as defined below) all of Tantalus' right, title, and interest in and to the applicable Auction Assets sold by the Auctioneer to the respective Auction Purchaser, in accordance with the Auction Agreement, free and clear of any and all liens, charges and security interests and other encumbrances upon the Auction Purchaser paying the purchase price for the applicable Auction Assets and the Proposal Trustee, or any bankruptcy trustee or court or privately-appointed receiver of Tantalus, determining that the transaction for the applicable Auction Assets has closed to the Proposal Trustee's, or any bankruptcy trustee's or court or privately-appointed receiver's, satisfaction; and

#### The Success Fee

n) amending the terms of the Success Fee granted by the Honourable Justice Fitzpatrick on July 13, 2023 as amended on July 27, 2023.

### **PROPOSAL TRUSTEE'S REPORTS AND PURPOSE**

9. The Proposal Trustee has previously filed its first report, second report, and a supplement to the first report in these NOI proceedings, (the "**First Report**", the "**Second Report**", and the "**Supplement to the First Report**", together the "**Proposal Trustee's Reports**") all of which are posted on the Proposal Trustee's website at [www.ey.com/ca/tantalus](http://www.ey.com/ca/tantalus).



10. The purpose of this third report of the Proposal Trustee (the “**Third Report**”) is to advise this Honourable Court with respect to, *inter alia*, the following:
- a) an update on the Paxiom Machine sale and the Employee Equipment sale and completion of the related Proposal Trustee’s certificates;
  - b) an update on the sales and investment solicitation process related to the Property of the Company (the “**SISP**”) as detailed in the First Report, the Supplement to the First Report, and the Fifth Sutton Affidavit;
  - c) an update on the proposed Remaining Cannabis Inventory Sale Transaction relating to the Remaining Cannabis Inventory, and the proposed sale of the Brand and Other Assets (defined below) to the Purchaser;
  - d) the proposed sale of the Elevated Shares;
  - e) the proposed Auction Process and amendments to the Success Fee;
  - f) budget to actual variance for the period July 20, 2023 to August 23, 2023 (the “**Variance Analysis**”);
  - g) the Company’s projected cash flows (the “**Third Report Cash Flow Forecast**”) period from August 24, 2023 to October 18, 2023 (the “**Cash Flow Period**”); and
  - h) the Proposal Trustee’s Recommendations.

## **TERMS OF REFERENCE**

11. The Proposal Trustee refers readers to the terms of reference noted in the First Report. In addition, all capitalized terms not otherwise defined herein have the meanings defined in the Proposal Trustee's Reports.
12. All references to dollars are in Canadian currency unless otherwise noted.

## **UPDATE ON THE PAXIOM MACHINE SALE TRANSACTION**

13. As set out above, on July 27, 2023, this Honourable Court approved the sale of the Paxiom Machine. The Paxiom Machine was removed from Tantalus' premises on August 11, 2023.
14. On August 15, 2023, the Proposal Trustee received a statement of account from Tantalus showing that Tantalus received the balance payable.
15. On August 21, 2023, the Proposal Trustee provided a copy of the Paxiom Proposal Trustee's Certificate (as defined in the Paxiom Machine Sale Order) to Tantalus and Sungrown certifying completion of the Paxiom Transaction and receipt by the Company of the proceeds. A copy of the Paxiom Proposal Trustee's Certificate is attached hereto at **Appendix "A"**.
16. On August 22, 2023, the Trustee filed a copy of the Paxiom Proposal Trustee's Certificate with this Honourable Court.

## **UPDATE ON THE EMPLOYEE EQUIPMENT SALE TRANSACTION**

17. As set out above, on July 27, 2023, this Honourable Court approved the sale of the Employee Equipment. The removal of the Employee Equipment was completed on August 15, 2023.

18. On August 15, 2023, the Proposal Trustee received a statement of account from Tantalus showing that Tantalus received the balances payable by the Employees.
19. On August 21, 2023, the Proposal Trustee provided a copy of the Employee Equipment Proposal Trustee's Certificate (as defined in the Employee Equipment Sale Order) to Tantalus and Sungrown certifying completion of the Employee Equipment Transaction and receipt by the Company of the proceeds. A copy of the Employee Equipment Proposal Trustee's Certificate is attached hereto at **Appendix "B"**.
20. On August 22, 2023, the Trustee filed a copy of the Employee Equipment Proposal Trustee's Certificate with this Honourable Court.

#### **UPDATE ON THE SALES AND INVESTMENT PROCESS FOR COMPANY**

21. The SISP was outlined in the First Report and the Supplement to the First Report and was detailed in the Fifth Sutton Affidavit. The Second Report also includes a timeline of events since commencement of these NOI Proceedings and is updated in the table below.
22. The Fifth Sutton Affidavit describes the concurrent sale of the Remaining Cannabis Inventory and the broader sales process for all other assets, consisting primarily of the Brand and Other Assets, the Elevated Shares, the Facility, and Auction Equipment.

23. The following table summarizes actions taken to date within the SISP:

June 28	<ul style="list-style-type: none"> <li>Filing of the NOI.</li> </ul>
June 30	<ul style="list-style-type: none"> <li>Tantalus commences the SISP and circulates the Teaser to over 80 prospective LPs and financial buyers.</li> </ul>
July 6	<ul style="list-style-type: none"> <li>CRA's final confirmation that it will not renew the Excise License.</li> </ul>
June 30 – July 6	<ul style="list-style-type: none"> <li>Tantalus communicates with all prospective buyers regarding all the cannabis inventory held by the Company at this date.</li> </ul>
July 10	<ul style="list-style-type: none"> <li>Status Quo Order and Bulk Cannabis Inventory Sale Order (as defined in the Second Report) are granted by this Honourable Court and the Bulk Cannabis Inventory is shipped to the Purchaser.</li> </ul>
June 30 to July 14	<ul style="list-style-type: none"> <li>Cannabis inventory remaining on site continues to be sold in the ordinary course.</li> <li>Tantalus communicated with several known potential bidders ("<b>Potential Bidders</b>") and received seven (7) bids ("<b>Asset Bids</b>") by the bid deadline of July 14, 2023 (the "<b>Bid Deadline</b>").</li> <li>Two additional bidders ("<b>Late Bidders</b>") request extension of time to submit an Asset Bid due to the short timeline. Tantalus agrees to receive bids but informs the Late Bidders that their bids may not be considered as they are not compliant with the SISP.</li> </ul>
July 14 – July 20	<ul style="list-style-type: none"> <li>Tantalus and the Proposal Trustee review all Asset Bids and bids from Late Bidders (attached as Confidential Exhibit "A" to the sealed Sixth Sutton Affidavit) and all bids received, which are summarized in the spreadsheet attached as Confidential Exhibit "B" to the Sixth Sutton Affidavit.</li> </ul>
July 24	<ul style="list-style-type: none"> <li>Company receives sale proceeds from the Bulk Cannabis Inventory Sale.</li> </ul>
July 26	<ul style="list-style-type: none"> <li>The Proposal Trustee's Certificate relating to the Bulk Cannabis Inventory Sale Transaction is issued and filed.</li> </ul>
July 20 – 25	<ul style="list-style-type: none"> <li>Tantalus, in consultation with the Proposal Trustee and Sungrown, selects the best Asset Bid for the sale of the Remaining Cannabis Inventory and the Brand and Other Assets (as defined below) to the Purchaser.</li> </ul>
July 27 – August 22	<ul style="list-style-type: none"> <li>Tantalus completes the sale of the Paxiom Machine and the Employee Equipment, and the related Proposal Trustee's Certificates are issued and filed.</li> </ul>
July 27, 2023 – August 25, 2023	<ul style="list-style-type: none"> <li>Tantalus completes the sale of the Remaining Cannabis Inventory.</li> </ul>

	<ul style="list-style-type: none"> <li>• Tantalus continues to work with the Atlantic to close a sale of the Brand and Other Assets.</li> <li>• Tantalus and the Proposal Trustee work with Yaletown LP to sell the Elevated Shares.</li> <li>• Tantalus works with the Broker to market and sell the Facility and related assets.</li> <li>• The Proposal Trustee works with the Auctioneer to prepare for the sale of the Auction Equipment.</li> </ul>
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Update on the Activities of the Broker

24. As detailed in the Second Report, Tantalus engaged the Broker pursuant to a listing agreement dated August 23, 2023 (the “**Listing Agreement**”), to market and sell the Facility and related assets.
25. Since the date of its engagement, the Broker has undertaken the following activities:
- a) attended the premises, photographed the Facility and shot aerial photographs of the Facility;
  - b) prepared marketing materials and advertised sale of the property on several websites including the Broker’s website and realtor.ca, on the Broker’s social media pages, and in the Country Life in BC newspaper;
  - c) set up a “For Sale” sign at the Facility; and
  - d) held discussions with several prospective purchasers.
26. The Broker plans to continue to market the property until the end of October 2023, pursuant to the Listing Agreement.

## **UPDATE ON THE REMAINING CANNABIS INVENTORY SALE TRANSACTION**

27. The Remaining Cannabis Inventory as at July 25, 2023 consisted of 70,853 units of packaged and unstamped inventory, including dried flower, pre-rolls and infused pre-rolls, and 33,919 units of seeds.
28. All inventory needed to be removed from Tantalus' premises prior to the expiry of the Excise License, and pursuant to the Status Quo Order, on July 27, 2023.
29. As detailed in the Second Report, the Remaining Cannabis Inventory was sold to Atlantic as part of the wider Brand and Other Asset Transaction and was contingent on the Brand and Other Asset Transaction closing. The Remaining Cannabis Inventory was delivered to Atlantic prior to July 27, 2023, as required, prior to expiry of the Excise License, payment for the Remaining Cannabis Inventory is being held in escrow with MLT Aikins pending completion of the Brand and Other Asset Transaction.

## **PROPOSED SALE OF THE BRAND AND OTHER ASSETS**

30. As detailed in the Seventh Sutton Affidavit, there is a proposed sale transaction for proceeds of \$1,000,000 (plus applicable sales taxes) between Tantalus and Atlantic for the goodwill, trademarks, brand assets, marketing materials, intellectual property of Tantalus, stock keeping units ("**SKUs**") for identifying the associated products and services of Tantalus, and the following equipment:
  - a) two Kung Tech pre-roll machines;
  - b) a Futurola Shredder Super OG bearing serial number F03-02-02;
  - c) a Harvest Right freeze dryer (model HRFD-PLrg-SS-Pharm);

- d) a semi-electric straddle stacker bearing serial number H-5440;
  - e) two Keirton Twister T4 SE trimmers;
  - f) two Weber 10" semi-automatic bottle label applicators;
  - g) a CY Grower dramm sprayer;
  - h) two Brick Press hash presses;
  - i) a chemical cabinet;
  - j) two Enercon induction sealers (model 223315)
  - k) 26 scales including models SPX222, SPX2202, MB90, FX-300Inc, Defender 3000, SPX421, OP900B, and SD series; and
  - l) 80 Canarm fans (model HAF18),
- (collectively with the Brand, the SKUs, and the Packaging Inventory, the **"Brand and Other Assets"**);

#### Brand and Other Assets Agreement

31. The Brand and Other Assets Agreement includes the following key terms:
- a) consideration payable for the Brand and Other Assets is \$1,000,000 plus all applicable taxes totalling \$1,090,000 payable on August 4, 2023 into escrow with MLT Aikins LLP (the **"Escrowed Funds"**) to be held until the Closing Date (defined below). The Escrowed Funds include the purchase price for the Remaining Cannabis Inventory;
  - b) Escrowed funds will be released from escrow once the Approval and Vesting Order is granted and the Listings (defined below) have been

transferred to the Atlantic and the Brand and Other Assets have been delivered to Atlantic (the “**Closing Conditions**”);

- c) The closing date is the latest of:
  - I. August 3, 2023; or
  - II. the date of the granting of the approval and vesting order; or
  - III. the date when the Listings in BC, and either Alberta, or Ontario have been transferred to Atlantic; or
  - IV. the date of delivery to Atlantic of the Brand and Other Assets; or
  - V. such other date as the parties agree to;
- d) if the Closing Date does not occur before August 26, 2023, the Escrowed Funds shall be automatically and immediately released from escrow and returned to Atlantic;
- e) Tantalus must take all reasonably necessary actions to implement the transfer to Atlantic of the Listings of specific individual product SKUs and associated elements such as Global Trade Identification Numbers, barcodes and other product identifiers within each province and territory in which the Company is currently registered (the “**Listings**”). Transfer means either confirmation from the applicable province of the completed transfer process, or proof satisfactory to Atlantic that all necessary steps to effect such transfer have been completed; and
- f) Atlantic acknowledges that it is purchasing the Brand and Other Assets on an “as is, where is” and “without recourse” basis.



32. On August 4, 2023, MLT Aikins confirmed to the Proposal Trustee that Atlantic had confirmed that the Escrowed Funds were paid. On August 8, 2023, MLT Aikins confirmed to the Trustee that the Escrowed Funds were received into MLT Aikin's escrow account pursuant to the Brand and Other Asset Agreement.
33. On August 23, 2023, the Proposal Trustee received an email from counsel to Atlantic confirming that all Closing Conditions were met ("**Waiver of Conditions Email**"). A copy of the Waiver of Conditions Email is attached at Exhibit "B" of the Seventh Sutton Affidavit. The Seventh Sutton Affidavit also attests that Tantalus has completed all of its obligations with respect to arranging for the transfer of the registration of all of the Listings in the Provinces of Ontario and British Columbia in Atlantic and has provided Atlantic with confirmation of the registration of such Listings in Atlantic by the relevant governing bodies.

#### Proposal Trustee's Comments on the Brand and Other Asset Transaction

34. In accordance with section 65.13(1) of the BIA, this Honourable Court will take into consideration the following factors when determining whether to approve the Brand and Other Asset Transaction:
  - a) whether the process leading to the proposed sale or disposition was reasonable in the circumstances;
  - b) whether the trustee approved the process leading to the proposed sale or disposition;

- c) whether the trustee filed with the court a report stating that in their opinion the sale or disposition would be more beneficial to the creditors than a sale or disposition under a bankruptcy;
  - d) the extent to which the creditors were consulted;
  - e) the effects of the proposed sale or disposition on the creditors and other interested parties;
  - f) whether the consideration to be received for the assets is reasonable and fair, considering their market value; and
  - g) if the proposed sale or disposition is to a person who is related to the insolvent person.
35. The Seventh Sutton Affidavit is meant to support Tantalus' application with respect to the Brand and Other Asset Transaction and in particular to provide support in respect of the factors outlined in section 65.13(1) of the BIA. The Proposal Trustee's comments on each of the factors is detailed below:

*Whether the process leading to the proposed sale or disposition was reasonable in the circumstances*

36. As noted in the Supplement to the First Report and the Second Report, this was not a court-ordered SISF, and certain aspects of the SISF are, in the Proposal Trustee's view, atypical. In the Proposal Trustee's view, it is important to place weight on the fact that the criteria in 65.13(1) of the BIA specifically refers to the circumstances surrounding the process.

37. As detailed in the First Report, Sungrown, in return for its consent for the Company to file an NOI, required the Company to run a shorter than usual sales process requiring a binding offer to be submitted to Sungrown by Tantalus by July 26, 2023. In order to obtain and review all bids from prospective purchasers, and submit the binding bids to Sungrown by July 26, 2023, the Company requested that all prospective purchasers submit their binding bids by July 14, 2023 (the “**Bid Deadline**”). This was only 16 days after the date of the NOI. This may have limited the pool of buyers that are able to obtain board approval and provide a binding bid prior to July 14, 2023.
38. Even though the circumstances are atypical and the timelines were tight, the Proposal Trustee is of the view that the SISP was reasonable in the circumstances based on the following factors:
- a) despite the tight timelines, by the Bid Deadline, four bids for the Brand and Other Assets were received by Tantalus and Atlantic was the highest bidder;
  - b) as detailed in the Second Report, Atlantic was the only prospective purchaser for the Remaining Cannabis Inventory that was able to remove the cannabis inventory from the premises by July 27, 2023. The purchase of the Remaining Cannabis Inventory by Atlantic was contingent upon a successful purchase of the Brand and Other Assets by Atlantic;
  - c) the Brand and Other Assets were marketed to a broad base of cannabis and financial buyers, a fully-equipped data room was provided, potential

purchasers visited the data room, and specific instructions and communications were given to each prospective purchaser; and

d) management is made up of very experienced and well-connected businesspeople who were able to move quickly to ensure that the opportunity was exposed to all known bidders for assets of the type of the Brand and Other Assets.

39. In light of the circumstances noted above and explained in greater detail in Seventh Sutton Affidavit, the Proposal Trustee is of the view that the SISP was reasonable in the circumstances.

*Whether the trustee approved the process leading to the proposed sale or disposition*

40. With respect to the Proposal Trustee's involvement in the SISP, the Proposal Trustee advised Tantalus with respect to potential options under the SISP and NOI process and held discussions with management with respect to the communications with the potential purchasers.

41. The Proposal Trustee had minimal engagement directly with Atlantic as the Proposal Trustee was not tasked with running the SISP. However, the Proposal Trustee was apprised of and advised on the steps taken by Tantalus to carry out the sale of the Brand and Other Assets.

Whether the trustee filed with the court a report stating that in their opinion the sale or disposition would be more beneficial to the creditors than a sale or disposition under a bankruptcy

42. The Proposal Trustee is of the view that the Brand and Other Asset Agreement provides a greater return than would be available to creditors in a bankruptcy as the costs and delay of administering the assets through a bankruptcy at this late stage would be materially greater than those involved with closing a transaction imminently within these proceedings.

The extent to which the creditors were consulted and the effects of the proposed sale or disposition on the creditors and other interested parties

43. The only secured creditor in these proceedings is Sungrown and any sale of the Remaining Cannabis Inventory would be insufficient for Sungrown to recover the entirety of its debt.

44. The Proposal Trustee commissioned McMillan Dubo LLP to provide its opinion as to the validity and enforceability of the security granted by Tantalus to Sungrown as against Tantalus' assets and can confirm that the security is valid and enforceable.

45. The Proposal Trustee discussed the Brand and Other Assets Transaction with counsel to Sungrown and understands, and as detailed in the Seventh Sutton Affidavit, that Sungrown is supportive of the Brand and Other Assets Transaction. Given the value of the Brand and Other Assets as compared to the Sungrown debt

which is in excess of \$5.6 million, it was not practical or necessary to consult any other unsecured creditors.

Whether the consideration to be received for the assets is reasonable and fair, considering their market value

46. The Proposal Trustee is of the view that the consideration under the Brand and Other Assets Transaction is reasonable and fair, considering the time constraints on marketing and due diligence, the experience of management in understanding the constraints and nuances in selling the Listings, and the fact that Atlantic's bid was the highest bid submitted under the SISP.

If the proposed sale or disposition is to a person who is related to the insolvent person

47. Atlantic is the same purchaser that purchased the Bulk Cannabis Inventory and the Remaining Cannabis Inventory and is not a related party to Tantalus.

**PROPOSED SALE OF THE INVESTMENT IN ELEVATED SIGNALS**

48. The Company owns 555,555 common shares (the "**Elevated Shares**") in Elevated Signals Inc. ("**Elevated Signals**") as detailed in the First Report Cash Flow Forecast.
49. Elevated Signals is a private Company in the business of providing fully-digital centralized software that manages inventory, recordkeeping, compliance and environmental data for cannabis companies.
50. A valuation of Elevated Signals was prepared on or about April 11, 2023, by Carta Valuations LLP ("**Carta**") for the purposes of a 409A valuation in the United States (the "**Carta Valuation**"). A 409A valuation is a common fair market valuation of a

private company's common stock. It is performed by a third-party appraiser for tax purposes under section 409A of the Internal Revenue Code.

51. The Proposal Trustee reviewed the Carta Valuation with the CEO of Elevated Signals and can confirm that the valuation methodology appears reasonable in the experience of the Proposal Trustee and that the Carta Valuation concluded that the value of the common shares per the Carta Valuation was approximately 40 cents Canadian per share. This would equate to a value of \$222,222 for the Elevated Shares.
52. On August 8, 2023, the Proposal Trustee and Tantalus were approached by another shareholder of Elevated Signals, Yaletown LP, requesting to purchase the Elevated Shares.
53. On August 10, subsequent to a discussion with the Proposal Trustee and Tantalus, Yaletown LP proposed to purchase all of the Elevated Shares for CAD \$0.325 per share for a total value of \$180,555.38 and agreed to complete the transaction on or before August 16, 2023 or any other date required by Tantalus or the Proposal Trustee.
54. On August 22, 2023, Tantalus and Yaletown LP entered into the Share Agreement which includes the following key terms:
  - a) the aggregate purchase price to be paid by Yaletown LP to Tantalus for the Elevated Shares is \$180,555.38 (the "**Purchase Price**"), representing a price per share equal to \$0.325;

- b) the Purchase Price will be paid by Yaletown LP upon completion of the transaction;
- c) the transaction is subject only to finalizing required paperwork, transfer of the Elevated Shares to Yaletown LP, and obtaining approval from this Honourable Court; and
- d) upon completion of the transaction, Yaletown LP will own 100% of the Elevated Shares free and clear of any encumbrances.

#### The Proposal Trustee's comments on the Share Transaction

55. The Trustee considered the following factors when considering the reasonableness of marketing the shares to a broader buyer base:

- a) Elevated Signals is a private company, which makes it more difficult to find buyers for the shares than would be the case with a public company on the open market;
- b) Elevated Signals operates in the tech sector, which has experienced significant layoffs, experienced labour challenges, rapidly changing consumer needs, increased costs and supply chain issues in the last two years, further reducing the demand for and the valuation of the Elevated Shares and the likelihood that a broader sales process would produce further bidders or a higher purchase price;
- c) the Yaletown LP offer is fair and reasonable as it represents a 18.7% discount on the Carta Valuation of the shares. It is the Proposal Trustee's view that a broader sales process in an attempt to find additional buyers for



the Elevated Shares would likely outweigh the delta of \$41,666 between the Carta Valuation for the Elevated Shares and the Purchase Price;

56. Yaletown LP has obtained all necessary internal approvals and consents and has the cash on hand to consummate this transaction quickly. Yaletown LP is an existing investor in Elevated Signals and the Proposal Trustee has confirmed directly with Elevated Signals that Yaletown LP is an acceptable buyer to the Elevated Signals board of directors, which must approve any share transfer.
57. In addition, the transfer and sale of Elevated Signal's shares are governed in part by the Right of First Refusal and Co-Sale Agreement dated January 31, 2023 ("**ROFR**"), which sets out a multi-step process that potential sellers of Elevated Signal's shares must follow. A copy of the ROFR is attached at Exhibit "E" to the Seventh Sutton Affidavit. As a result of Yaletown LP's significant investment into Elevated Signals, Yaletown LP secured a written exemption to the ROFR process, such that Yaletown LP can complete the Share Transaction directly and efficiently, without going through the multi-step (and potentially uncertain) ROFR process. The Proposal Trustee and counsel to Sungrown have reviewed the ROFR and have confirmed it is valid.
58. Pursuant to the above analysis, the Proposal Trustee is of the view that the consideration is fair and reasonable in the circumstances.
59. The Proposal Trustee believes that the process leading to the sale of the Elevated Shares, given the value of the Elevated Shares, the ROFR, the difficulties in the tech industry, and the difficulties in finding buyers for private company shares, was

reasonable in the circumstances. The sale process was reviewed and approved by the Proposal Trustee.

60. Sungrown, the secured creditor, has approved the proposed transaction. Due to the small value of the assets compared to the Sungrown debt, the Proposal Trustee did not contact any other unsecured creditors.
61. Yaletown LP is not a related party to Tantalus.

## **PROPOSED ENGAGEMENT OF THE AUCTIONEER AND PROPOSED AUCTION PROCESS**

62. Should this Honourable Court approve the sale of the Brand and Other Assets and the Elevated Shares, the Company will have the following categories of remaining assets:
  - a) the Facility; and
  - b) labellers, drying racks, ventilation, shredders, mixers, grinders, other cannabis related equipment, furniture, fixtures, appliances, compressors, and outdoor and greenhouse equipment (the “**Auction Equipment**”);
63. As detailed above, the Broker has been engaged to market and sell the Facility.
64. Tantalus is proposing that it engage the Auctioneer to sell the Auction Equipment pursuant to the Auction Agreement. A copy of the Auction Agreement is attached at Exhibit “G” of the Seventh Sutton Affidavit. The key terms of the Auction Agreement are as follows:
  - a) a selling fee of 25% of the proceeds from the sale of the Auction Equipment;

- b) the Auctioneer will hold an auction on short notice and as soon as 3 weeks' time in order to ensure that all assets are removed from the premises prior to any Facility sale;
  - c) the Auctioneer will produce photographs and videos of the Auction Equipment and plan a substantive advertising campaign on province wide television and radio ads, wide ranging social media campaigns;
  - d) the Auctioneer will attend the Facility to set up and organize the auction including producing a detailed catalogue for on-line bidders; and
  - e) the Auctioneer will conduct a public preview of the items prior to the online auction and will coordinate removal of the auction items and collect and remit all applicable taxes.
65. As detailed in the Seventh Sutton Affidavit, the Company, after a review of the Asset Bids, believes that it is in the best interest of Tantalus and its stakeholders to engage the Auctioneer in order to assist with the sale of the Auction Equipment. Using an Auctioneer will save costs and time to sell and package the assets individually.
66. Following the SISP process, the Proposal Trustee contacted three auctioneers and the Company contacted two separate auctioneers to seek proposals for the sale of the Auction Equipment. The Proposal Trustee and Tantalus determined that the other auction companies, excluding the Auctioneer, would either not commit to an auction on the tight timeline required or did not have expertise in the sale of

cannabis equipment. All other auction companies that provided a proposal proposed a fee higher than that of the Auctioneer.

67. The Proposal Trustee has reviewed the Auctioneer Agreement with the Company and is of the opinion that the terms of the Auction Agreement are reasonable and the fee payable to the Auctioneer is reasonable based on auctioneer fees on similar-sized deals. In addition, the Auctioneer is well known in the insolvency community. The Proposal Trustee is confident that the Auctioneer is fully capable and qualified to conduct the Auction.
68. The Proposal Trustee is of the opinion it is reasonable in the circumstances to engage the Auctioneer and that an Auction will generate a higher realizable value to the stakeholders than accepting a proposal from another auctioneer or by selling the items individually.

#### Amendment to the Success Fee

69. The Company is also requesting an Order that the Success Fee granted by this Honourable Court on July 13, 2023, and amended on July 27, 2023, be amended to reduce the Success Fee by the amount of any commissions or fees payable to the Auctioneer.
70. At the time the Success Fee was granted, Tantalus did not intend to engage a broker to market the Facility or any auctioneer. As described above, the Company now wishes to engage the Auctioneer and previously engaged the Broker (as detailed in the Second Report).

71. The Proposal Trustee is of the view that the amendment to the Success Fee is reasonable in the circumstances. The total amount payable to the Success Fee recipients, the Broker and the Auctioneer, remains the same as the amount contemplated as the potential Success Fee when it was initially approved by this Honourable Court on July 13, 2023.

## BUDGET TO ACTUAL VARIANCE ANALYSIS

72. The Company, in consultation with the Proposal Trustee, has prepared the following Variance Analysis, comparing the actual cash flow activity of the Company against the Second Report Cash Flow Forecast for the period from July 20, 2023 to August 23, 2023 (the “Variance Period”). A copy of the weekly Variance Analysis is attached at **Appendix “C”**.

	Second Report Cash Flow Projections	Actuals	Variance
<b>Cash Inflows</b>			
Accounts Receivable Collections	277,410	231,353	(46,057)
Inventory - Packaged	1,084,782	570,928	(513,855)
Inventory - Bulk	300,000	299,805	(195)
SKU Portfolio Value	-	-	-
Equipment Sales - Paxiom Machine and Employee Equipment	-	73,941	73,941
Receipt from sale of shares in Elevated Signals	212,366	-	(212,366)
	<b>\$ 1,874,559</b>	<b>\$ 1,176,027</b>	<b>\$ (698,532)</b>
<b>Cash Outflows</b>			
<u>Facility Operating Costs</u>			
Shipping	(5,000)	-	5,000
Lab Testing	(1,500)	-	1,500
Mgmt Phones (month of July)	(5,600)	(5,645)	(45)
Hydro	(7,500)	-	7,500
Fortis	(3,500)	-	3,500
Internet	(650)	-	650
Misc operating costs	(12,500)	(2,203)	10,298
Property Taxes	(18,000)	(18,524)	(524)
Labour Costs (retained Tantalus employees)	(25,277)	(38,604)	(13,327)
SunLife Employee Benefits (July 2023)	-	-	-
GST payable	(40,000)	-	40,000
Excise Taxes Payable (July 2023 sales)	(91,982)	(91,983)	(1)
Insurance (Property coverage extension)	30,000	42,052	12,052
<b>Total Operating Costs</b>	<b>\$ (181,509)</b>	<b>\$ (114,906)</b>	<b>\$ 66,603</b>
<u>Restructuring Costs</u>			
Receiver/ Trustee Cost (+ Legal)	(130,000)	(152,021)	(22,021)
Legal Fees	(90,000)	(153,010)	(63,010)
KERP	-	-	-
<b>Total Restructuring Costs</b>	<b>\$ (220,000)</b>	<b>\$ (305,031)</b>	<b>\$ (85,031)</b>
<b>Net Cash Flow</b>	<b>\$ 1,473,050</b>	<b>\$ 756,090</b>	<b>\$ (716,960)</b>
<b>Cash Balance, Beginning</b>	1,536,968	1,536,968	-
<b>Net Cash Flow</b>	1,473,050	756,090	(716,960)
<b>Cash Balance, Ending</b>	<b>\$ 3,010,018</b>	<b>\$ 2,293,058</b>	<b>\$ (716,960)</b>

73. Key variances in the cash flow are as follows and all relate to timing differences:

- a) **Accounts Receivable Collections** – receipts are less than contemplated as amounts due from the Prince Edward Island (“**PEI**”) provincial board have not yet been paid. Tantalus has followed up with PEI and expect payment of the \$46k variance in the week commencing August 24, 2023;
- b) **Inventory Packaged** – The \$547k variance in receipts for packaged inventory is due to timing differences in receipt of payment from various provincial boards including Alberta, PEI, Manitoba, and Saskatchewan LPs. All funds are expected to be collected in September 2023;
- c) **Equipment Sales** – Collections exceeded budget primarily due to the sale of the Paxiom Machine for approximately \$67k;
- d) **Receipt from Sale of Elevated Shares** – as detailed above, the Company is currently seeking approval from this Honourable Court for the sale of the Elevated Shares and expects to take receipt of the Purchase Price in the week commencing August 24, 2023; and
- e) **GST payable** – GST payments are less than contemplated due to timing. GST returns were filed on August 22, 2023 and payment will be made in the week commencing August 24, 2023.

## CASH FLOW FORECAST FOR AUGUST 24, 2023 TO OCTOBER 18, 2023

74. The Third Report Cash Flow Forecast (attached as **Appendix “D”** to this Third Report) is summarized in the table below:

<b>Third Report Cash Flow Projections</b>		<b>8 Week Period</b>
<b>For the 8-week period from August 24, 2023 to October 18, 2023</b>		<b>August 24, 2023 to October 18, 2023</b>
<b>Cash Inflows</b>		
Accounts Receivable Collections		47,825
Inventory - Packaged		1,076,151
Inventory - Bulk		-
Brand and SKU Portfolio		1,000,000
Receipt from sale of shares in Elevated Signals		180,555
		<b>\$ 2,304,531</b>
<b>Cash Outflows</b>		
<u>Facility Operating Costs</u>		
	<i>Shipping</i>	(10,500)
	<i>Lab Testing</i>	(2,900)
	<i>Employee Expense Reimbursements</i>	-
	<i>Hydro</i>	(15,000)
	<i>Fortis</i>	(7,000)
	<i>Internet</i>	(1,300)
	<i>Misc operating costs</i>	(20,000)
	<i>Property Taxes</i>	-
Labour Costs (retained Tantalus employees)		(30,639)
SunLife Employee Benefits (July 2023)		-
GST payable		(91,646)
Excise Taxes Payable (July 2023 sales)		(384,516)
Insurance (Property coverage extension - 3-months)		-
<b>Total Operating Costs</b>		<b>\$ (563,500)</b>
<u>Restructuring Costs</u>		
Receiver/ Trustee Cost (+ Legal)		(110,000)
Legal Fees		(130,000)
KERP		(350,000)
Sungrown Restructuring Support Fee		-
<b>Total Restructuring Costs</b>		<b>\$ (590,000)</b>
<b>Net Cash Flow</b>		<b>\$ 1,151,031</b>
<b>Cash Balance, Beginning</b>		2,293,058
<b>Net Cash Flow</b>		1,151,031
<b>Cash Balance, Ending</b>		<b>\$ 3,444,089</b>



75. The key assumptions underpinning the Third Report Cash Flow Forecast are:

Cash receipts

- a) all cannabis production is halted. Forecasted receipts are for completed cannabis inventory sales;
- b) receipt of the \$1,000,000 from Atlantic for the Brand and Other Assets and Remaining Cannabis Inventory is included in the Third Report Cash Flow Forecast as funds will be released from escrow upon completion of the Brand and Other Asset Transaction (as detailed above);
- c) receipt of the \$180,555 from Yaletown LP for the Elevate Shares is included in the Third Report Cash Flow Forecast as funds will be paid into escrow upon completion of the Share Transaction (as detailed above);

Cash disbursements

- a) facility expenses and other expenditures remain in line with historical averages and either cover the period prior to the cash flow or are ongoing costs required to maintain the Facility in a cold hibernation pending sale;
- b) all remaining staff will be terminated on August 27, 2023. If required to maintain the facility, the CTO and the VP of Operations may be placed on hourly contract throughout the proposed extension; and
- c) GST and Excise taxes payable are final amounts owed on the sales of cannabis products during the NOI Stay Period.

The Proposal Trustee's Comments on the Cash Flows

76. The Third Report Cash Flow Forecast illustrates that the Company has sufficient cash flows to fund the NOI proceedings, sale of assets, and wind down of operations during the Cash Flow Period.
77. Appendix D also illustrates that the Company currently has \$2,293,058 and will have approximately \$3,444,089 at the end of the 8-week period, excluding any receipts from the sale of the Facility and the Auction Equipment.

**PROPOSAL TRUSTEE'S RECOMMENDATIONS**

78. Based on the foregoing, the Proposal Trustee recommends that this Honourable Court grant the requested Orders.

All of which is respectfully submitted this 24<sup>th</sup> day of August, 2023.

**ERNST & YOUNG INC.,**  
in its capacity as Proposal Trustee  
under the notice of intention to make a proposal of Tantalus Labs Ltd.  
and not in its personal capacity

Per:

For:   
**Holly Palmer, CIRP, LIT**  
**Senior Vice President**

# **Appendix A**



Court File No.  
B 230269  
Estate No.  
11-2960200

**FORM OF PROPOSAL TRUSTEE'S CERTIFICATE**

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,  
RSC 1985, c. B-3, AS AMENDED**

**AND**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A  
PROPOSAL OF TANTALUS LABS LTD.**

**PROPOSAL TRUSTEE'S CERTIFICATE  
(Paxiom Transaction)**

**RECITALS**

- A. Tantalus Labs Ltd. (the “Vendor”) commenced these proceedings by filing a notice of intention to make a proposal under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended on June 28, 2023 (the “NOI”).
- B. Ernst & Young Inc. was appointed as trustee in re the Proposal of the Vendor (in such capacity, the “Proposal Trustee”) under the NOI;
- C. Pursuant to an Order of the Honourable Madam Justice Fitzpatrick of the Supreme Court of British Columbia (the “Court”) dated July 27, 2023 (the “Approval and Vesting Order”), the Court approved the sale transaction (the “Paxiom Transaction”) contemplated by the purchase order, effective July 17, 2023 (the “Paxiom Agreement”) between the Vendor and Revelation Machinery, LLC (“Revelation”), a copy of which is attached as Exhibit “E” to the Fifth Sutton Affidavit and provided for the vesting in the Purchaser of the Vendor’s right, title and interest in and to the Paxiom Machine, which vesting is to be effective with respect to the Paxiom Machine upon the delivery by the Proposal Trustee to Revelation of a certificate confirming: (i) the payment by Revelation of the purchase price outlined in the Paxiom Agreement for the Paxiom Machine; and (ii) the Paxiom Transaction has been completed to the satisfaction of the Proposal Trustee.
- D. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Paxiom Agreement, as applicable.

**THE PROPOSAL TRUSTEE CERTIFIES** the following:

1. The payment by Revelation of the purchase price outlined in the Paxiom Agreement for the Paxiom Machine;
2. The Transaction has been completed to the satisfaction of the Proposal Trustee; and
3. This Certificate was delivered by the Proposal Trustee at 2:00 pm on August 21, 2023.

**Ernst & Young Inc., solely in its capacity as the  
Proposal Trustee of Tantalus Labs Ltd.**

Per:



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Name: Holly Palmer

Title: Senior Vice President

# **Appendix B**



Court File No. B-230269  
Estate No. 11-2960200

**FORM OF PROPOSAL TRUSTEE'S CERTIFICATE**

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,  
RSC 1985, c. B-3, AS AMENDED**

**AND**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A  
PROPOSAL OF TANTALUS LABS LTD.**

**PROPOSAL TRUSTEE'S CERTIFICATE**  
**(Employee Transactions)**

**RECITALS**

- A. Tantalus Labs Ltd. (the "**Vendor**") commenced these proceedings by filing a notice of intention to make a proposal under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended on June 28, 2023 (the "**NOI**").
- B. Ernst & Young Inc. was appointed as trustee in re the Proposal of the Vendor (in such capacity, the "**Proposal Trustee**") under the NOI;
- C. Pursuant to an Order of the Honourable Madam Justice Fitzpatrick of the Supreme Court of British Columbia (the "**Court**") dated July 27, 2023 (the "**Approval and Vesting Order**"), the Court approved the sale transactions (the "**Employee Transactions**") contemplated by various offers to purchase certain office equipment, maintenance equipment, and computer and other technology equipment (the "**Tantalus Employee Equipment**") between the Vendor and certain employees of Tantalus (the "**Purchasing Employees**"), a copy of the list of Employee Transactions is attached as Exhibit "C" to the Fifth Sutton Affidavit (the "**Equipment Payment Chart**") and provided for the vesting in the respective Purchasing Employees of the Vendor's right, title and interest in and to the respective Tantalus Employee Equipment, which vesting is to be effective with respect to the Tantalus Employee Equipment upon the delivery by the Proposal Trustee to Purchasing Employees of a certificate confirming: (i) the payment by all of the Purchasing Employees of the purchase price outlined in the Equipment Payment Chart; and (ii) the Employee Transactions have been completed to the satisfaction of the Proposal Trustee.

D. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Fifth Sutton Affidavit, as applicable.

**THE PROPOSAL TRUSTEE CERTIFIES** the following:

1. The payment by the Purchasing Employees of the respective purchase prices for each of the Tantalus Employee Equipment outlined in the Equipment Payment Chart;
2. The Transaction has been completed to the satisfaction of the Proposal Trustee; and
3. This Certificate was delivered by the Proposal Trustee at 2:00 pm on August 21, 2023.

**Ernst & Young Inc., solely in its capacity as the  
Proposal Trustee of Tantalus Labs Ltd.**

Per:



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Name: Holly Palmer

Title: Senior Vice President



# **Appendix C**

BUDGET TO ACTUAL															
Week Dates (Week Ending)	Week 4 (Week Ending July 26, 2023)			Week 5 (Week Ending Aug 2, 2023)			Week 6 (Week Ending Aug 9, 2023)			Week 7 (Week Ending Aug 16, 2023)			Week 8 (Week Ending Aug 23, 2023)		
	Budget	Actuals	Weekly Variance	Budget	Actuals	Weekly Variance	Budget	Actuals	Weekly Variance	Budget	Actuals	Weekly Variance	Budget	Actuals	Weekly Variance
	Week ending July 26, 2023			Week ending August 2, 2023			Week ending August 9, 2023			Week ending August 16, 2023			Week ending August 23, 2023		
<b>Cash Inflows</b>															
Accounts Receivables (Pre-Filing)	\$ 277,410	\$ 97,244	\$ (180,166)		\$ 67,640	\$ 67,640		\$ 44,497	\$ 44,497		\$ 21,972	\$ 21,972		\$ -	\$ -
Account Receivable (Inventory Packaged Sales)	\$ 78,736	\$ 78,736		\$ 195,298	\$ 165,650	\$ (29,648)	\$ 181,540	\$ 145,036	\$ (36,503)	\$ 280,351	\$ 148,122	\$ (132,229)	\$ 427,593	\$ 33,383	\$ (394,210)
Account Receivable (Inventory Bulk)	\$ 300,000	\$ 299,805	\$ (195)		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -
SKU Portfolio Value		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -
Equipment Sales		\$ 3,548	\$ 3,548		\$ 68,768	\$ 68,768		\$ -	\$ -		\$ -	\$ -		\$ 1,625	\$ 1,625
Elevated Signals Shares Liquidation Value		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -	\$ 212,366	\$ -	\$ (212,366)		\$ -	\$ -
Facility value		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -
<b>Cash Outflows</b>															
Facility Operating Costs															
<i>Shipping</i>	\$ (5,000)	\$ -	\$ 5,000		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -
<i>Lab Testing</i>		\$ -	\$ -	\$ (1,500)	\$ -	\$ 1,500		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -
<i>Mgmt Phones (month of July)</i>	\$ (5,600)	\$ (5,645)	\$ (45)		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -
<i>Hydro</i>	\$ (7,500)	\$ -	\$ 7,500		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -
<i>Fortis</i>	\$ (3,500)	\$ -	\$ 3,500		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -
<i>Internet</i>	\$ (650)	\$ -	\$ 650		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -
<i>Telus fire monitoring , generator fuel, etc)</i>	\$ (2,500)	\$ (1,194)	\$ 1,306	\$ (2,500)	\$ (188)	\$ 2,312	\$ (2,500)	\$ (295)	\$ 2,205	\$ (2,500)	\$ (20)	\$ 2,480	\$ (2,500)	\$ (507)	\$ 1,993
<i>Property Tax</i>				\$ (18,000)				\$ -	\$ -		\$ (18,524)	\$ (18,524)		\$ -	\$ -
Labour Costs (retained Tantalus employees)		\$ (985)	\$ (985)		\$ (14,458)	\$ (14,458)	\$ (25,277)	\$ -	\$ 25,277		\$ (23,160)	\$ (23,160)		\$ -	\$ -
SunLife Employee Benefits (July 2023)		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -
GST payable		\$ -	\$ -	\$ (40,000)	\$ -	\$ 40,000		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -
Excise Taxes Payable (July 2023 sales)	\$ (91,982)	\$ -	\$ 91,982		\$ (91,983)	\$ (91,983)		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -
Insurance (Property coverage extension - 3-months) - Refund	\$ 30,000	\$ 42,052	\$ 12,052		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -
<i>Restructuring Costs</i>		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -
Receiver/ Trustee Cost (+ Counsel)	\$ (65,000)	\$ -	\$ 65,000	\$ (20,000)	\$ (89,715)	\$ (69,715)	\$ (15,000)	\$ -	\$ 15,000	\$ (15,000)	\$ (62,306)	\$ (47,306)	\$ (15,000)	\$ -	\$ 15,000
Legal Fees	\$ (30,000)	\$ -	\$ 30,000	\$ (30,000)	\$ (54,522)	\$ (24,522)	\$ (10,000)	\$ -	\$ 10,000	\$ (10,000)	\$ -	\$ 10,000	\$ (10,000)	\$ (98,487)	\$ (88,487)
KERP		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -
		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -
Net Cash Flow	\$ 395,678	\$ 513,561	\$ 117,883	\$ 83,298	\$ 51,192	\$ (50,106)	\$ 128,763	\$ 189,239	\$ 60,475	\$ 465,218	\$ 66,084	\$ (399,134)	\$ 400,093	\$ (63,986)	\$ (464,079)
Cash Balance, Beginning	\$ 1,536,968	\$ 1,536,968		\$ 1,932,646	\$ 2,050,529		\$ 2,015,944	\$ 2,101,721		\$ 2,144,707	\$ 2,290,960		\$ 2,609,925	\$ 2,357,044	
Net Cash Flow	\$ 395,678	\$ 513,561		\$ 83,298	\$ 51,192		\$ 128,763	\$ 189,239		\$ 465,218	\$ 66,084		\$ 400,093	\$ (63,986)	
Cash Balance, Projected	\$ 1,932,646	\$ 2,050,529		\$ 2,015,944	\$ 2,101,721		\$ 2,144,707	\$ 2,290,960		\$ 2,609,925	\$ 2,357,044		\$ 3,010,018	\$ 2,293,058	

# **Appendix D**

Tantalus Labs Ltd.											
For the Period August 24, 2023 to October 18, 2023											
Week			1	2	3	4	5	6	7	8	
Dates (Week Ending)	Note	Total	Aug 30, 2023	Sep 6, 2023	Sep 13, 2023	Sep 20, 2023	Sep 27, 2023	Oct 4, 2023	Oct 11, 2023	Oct 18, 2023	
<b>Cash Inflows</b>											
Accounts Receivables (Pre-Filing)		\$ 47,825	\$ 47,825								
Account Receivable (Inventory Packaged Sales)	A	\$ 1,076,151	\$ 374,719	\$ 337,162	\$ 2,469	\$ 218,022	\$ 127,239	\$ 16,540			
Account Receivable (Inventory Bulk)	B	\$ -									
SKU Portfolio Value	C	\$ 1,000,000	\$ 1,000,000								
OMNI Software Value	D	\$ -									
Elevated Signals Shares Liquidation Value	E	\$ 180,555	\$ 180,555								
Facility value	F	\$ -									
		\$ -									
<b>Cash Outflows</b>											
Facility Operating Costs		\$ -									
		\$ -									
	Shipping	\$ (10,500)	\$ (10,500)								
	Lab Testing	\$ (2,900)	\$ (2,900)								
	Mgmt Phones (month of July)	\$ -									
	Hydro	\$ (15,000)	\$ (7,500)					\$ (7,500)			
	Fortis	\$ (7,000)	\$ (3,500)					\$ (3,500)			
	Internet	\$ (1,300)	\$ (650)					\$ (650)			
	Misc operating costs (Rose security monitoring, Telus fire monitoring , generator fuel, etc)	\$ (20,000)	\$ (2,500)	\$ (2,500)	\$ (2,500)	\$ (2,500)	\$ (2,500)	\$ (2,500)	\$ (2,500)	\$ (2,500)	\$ (2,500)
	Property Tax	\$ -									
Labour Costs (retained Tantalus employees)	G	\$ (30,639)	\$ (30,639)								
SunLife Employee Benefits (July 2023)		\$ -									
GST payable		\$ (91,646)	\$ (91,646)								
Excise Taxes Payable (July 2023 sales)		\$ (384,516)	\$ (384,516)								
Insurance (Property coverage extension - 3-months) - Refund		\$ -									
		\$ -									
<b>Restructuring Costs</b>											
		\$ -									
Receiver/ Trustee Cost (+ Counsel)		\$ (110,000)	\$ (40,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)
Legal Fees		\$ (130,000)	\$ (60,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)
KERP		\$ (350,000)	\$ (350,000)								
		\$ -									
		\$ -									
		\$ -									
<b>Net Cash Flow</b>		<b>\$ 1,151,031</b>	<b>\$ 618,749</b>	<b>\$ 314,662</b>	<b>\$ (20,031)</b>	<b>\$ 195,522</b>	<b>\$ 104,739</b>	<b>\$ (17,610)</b>	<b>\$ (22,500)</b>	<b>\$ (22,500)</b>	
<b>Cash Balance, Beginning</b>		<b>\$ 2,293,058</b>	\$ 2,293,058	\$ 2,911,807	\$ 3,226,469	\$ 3,206,438	\$ 3,401,960	\$ 3,506,699	\$ 3,489,089	\$ 3,466,589	
<b>Net Cash Flow</b>		<b>\$ 1,151,031</b>	\$ 618,749	\$ 314,662	\$ (20,031)	\$ 195,522	\$ 104,739	\$ (17,610)	\$ (22,500)	\$ (22,500)	
<b>Cash Balance, Ending</b>		<b>\$ 3,444,089</b>	\$ 2,911,807	\$ 3,226,469	\$ 3,206,438	\$ 3,401,960	\$ 3,506,699	\$ 3,489,089	\$ 3,466,589	\$ 3,444,089	
<b>NOTES</b>											
A	Tantalus has sold its packaged and excise stamped inventory. These receivables will be collected from provincial government distribution boards based on payment terms with the distribution boards.										
B	Tantalus sold its bulk inventory and estimates collection the week ending July 26										
C	Tantalus completed its sale of brand and SKU portfolio to Atlantic Cultivation										
D	Tantalus has internally developed software, named OMNI, for inventory management and fulfilment that it will seek to monetize through the SISF process. There were no bids on this asset										
E	Tantalus owns shares in a private company Elevated Signals (an agriculture manufacturing software) that is used by a large portion of the licensed										
F	Tantalus owns the land and greenhouse facility and will be seeking a buyer through the SISF process. The valuation of the facility and land is unknown at										
G	Tantalus retained 22 employees at the outset of our NOI proceeding to facilitate the finishing of inventory harvests, sale of inventory, fulfilment, regulatory										