Court File No. CV-24-00712687-00CL

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 9869247 CANADA LIMITED (d.b.a. SAFARI FLOWER COMPANY) AND GN VENTURES LTD.
(each an **"Applicant"** and collectively, the **"Applicants")**

THIRD REPORT OF THE MONITOR DATED MARCH 21, 2024

INTRODUCTION

1. On January 12, 2024, the Applicants brought an application (the "**Initial Application**") before the Ontario Superior Court of Justice (Commercial List) (the "**Court**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") to, among other things, obtain a stay of proceedings to allow them an opportunity to restructure their business and affairs.

2. On that same day, the Court granted an Initial Order (the "**Initial Order**") in these CCAA proceedings (the "**CCAA Proceedings**") that, among other things:

   a. appointed Ernst & Young Inc. as monitor of the Applicants (in such capacity, the "**Monitor**");

   b. ordered a stay of proceedings in favour of the Applicants through to January 22, 2024 (the "**Stay Period**");

   c. granted a charge over the assets of the Applicants in the amount of $150,000 (the "**Administration Charge**") in favour of counsel for the Applicants, the Monitor and its counsel; and

d. granted a charge over the assets of the Applicants in favour of the directors and officers of the Applicants in the amount of $61,000 ("**Directors' Charge**").

3. On January 22, 2024, the Court granted an Amended and Restated Initial Order (the "**ARIO**") that, among other things:

a. extended the Stay Period to February 29, 2024;

b. increased the amount of the Administration Charge to $350,000;

c. increased the amount of the Director's Charge to $243,000;

d. approved a debtor-in-possession credit facility (the "**DIP Loan**") between the Applicants and NE SPEC II LP ("**Blacksail**" or the "**DIP Lender**"), pursuant to a term sheet between the Applicants and the DIP Lender dated as of January 19, 2024 (the "**DIP Term Sheet**"), in order to finance the Applicants' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under the DIP Loan shall not exceed the principal amount of $1 million (plus interest, fees and expenses); and

e. granted a charge over the assets of the Applicants to the DIP Lender to secure the obligations of the Applicants to the DIP Lender under the DIP Term Sheet.

4. On February 27, 2024, the Court granted an Order (the "**Settlement Order**") that, among other things:

a. extended the Stay Period to and including March 29, 2024;

b. increasing the authorized borrowings under the Amended DIP Term Sheet dated February 22, 2024 (the "**Amended DIP Term Sheet**"), to a maximum principal amount of $1,300,000 and increasing the DIP Lender's Charge to a maximum principal amount of $1,300,000 plus interest, fees, legal costs and any other amounts payable under the Amended DIP Term Sheet;

c. approving a key employee retention plan for Management (as defined below) (the "**KERP**"), and granting a priority charge in favour of Management in the maximum amount of $200,000 (the **"KERP Charge**"), which will rank behind the Directors' Charge;

d. approving the settlement agreement dated February 22, 2024 (the "**Consultant Agreement**") among the Applicants, the Lenders, and Hyde Advisory & Investments Inc. ("**HAI**") and the payments contemplated therein and granting a priority charge in favour of HAI, ranking behind the DIP Lender's Charge and ahead of the Director's Charge and KERP Charge; and

e. approving the Monitor's First Report and Second Report and the activities of the Monitor and its counsel summarized in the First Report and Second Report.

PURPOSE

5. The purpose of this third report of the Monitor (the "**Third Report**") is to provide information to the Court on:

a. the Applicants' receipts and disbursements for the period from February 19, 2024, to March 17, 2024, compared to the cash flow forecast appended as Appendix "B" (the "**Initial Cash Flow Forecast**") to the Monitor's Second Report dated February 23, 2024 (the "**Second Report**");

b. the Applicants' updated weekly cash flow forecast from March 18, 2024 to April 21, 2024 on a consolidated basis for all of the Applicants (the "**Cash Flow Forecast**"); and

c. the Monitor's recommendations with respect to the Applicants' motion for an order extending the Stay Period to and including April 19, 2024.

TERMS OF REFERENCE

6. In preparing this Third Report and making the comments herein, the Monitor has been provided with, and has relied upon, audited and unaudited financial information, books and records prepared by the Applicants, discussions with Dr. Brigitte Simons, the Chief Executive Officer (the "**CEO**") and Patrick Grobe, the Chief Financial Officer (the "**CFO**") of Safari Flower (as defined below), (the CEO and CFO collectively, the "**Management**"), and

information from other third-party sources (collectively, the "**Information**"). Except as described in this Third Report in respect of the Cash Flow Forecast:

a. 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**") pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CAS in respect of the Information; and

b. some of the information referred to in this Third 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.

7. Future oriented financial information referred to in this Third 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.

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

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

10. The Monitor established a case website at www.ey.com/ca/safari (the "**Monitor's Website**") to disseminate information to stakeholders in respect of the Applicants' CCAA Proceedings.

BACKGROUND

11. The Applicants, through their operating company 9869247 Canada Limited (d.b.a. Safari Flower Company) ("**Safari Flower**"), are a licensed cultivator and processor of cannabis.

12. Safari Flower's principal business activities include cultivating, manufacturing and packaging finished goods for sale under its own label as well as for other licensed operators (white label) for the domestic and international markets.

13. Safari Flower is licensed by Health Canada in Canada, holds international certifications permitting it to supply cannabis to Israeli and Australian medicinal cannabis markets, and is European Good Manufacturing Practice certified to supply cannabis into the European medicinal cannabis market.

14. GN Ventures is a holding company and the 100% parent of Safari Flower.

APPLICANTS' RECEIPTS AND DISBURSEMENTS

15. Since the date of the Initial Order, the Applicants have maintained their existing operations and, to date, have not encountered any operational issues.

16. A summary of the Applicants' actual receipts and disbursements during the period from February 19, 2024 to March 17, 2024 (the "**Reporting Period**"), as compared to the Initial Cash Flow Forecast (the "**Variance Analysis**") is attached as **Appendix "A"** to this Third Report.

17. During the Reporting Period, the Applicants' operations generated a net cash outflow of approximately $897,000. The disbursements relate mainly to payroll, insurance and utilities and professional fees. As at March 17, 2024, the Applicants' cash on hand was approximately $560,000. It has received the first and second tranche of the DIP Loan for a total of approximately $952,000 (net of the $30,000 commitment fee and interest).

18. The favourable cash position variance for the Reporting Period of approximately $252,000 is primarily a result of:

    a. favourable timing differences in respect of collection of accounts receivable; and

b. favourable timing differences in respect of payment of restructuring costs. This is expected to reverse in the coming weeks.

19. The Cash Flow Forecast has been amended during the Forecast Period (defined below) to include the timing difference in the subsequent weeks, if applicable.

OVERVIEW OF APPLICANTS' CASH FLOW FORECAST

20. The Applicants, with the assistance of the Monitor, have prepared a Cash Flow Forecast which includes forecast receipts and disbursements for the period from March 18, 2024 to the week ending April 21, 2024 (the "**Cash Flow Period**") for the purpose of projecting the Applicants' estimated liquidity needs during the Cash Flow Period. A copy of the Cash Flow Forecast is attached as **Appendix "B"** to this Third Report.

21. The Cash Flow Forecast is presented on a weekly basis during the Cash Flow Period and represents the estimates of Management of the Applicants' projected cash flow during the Cash Flow Period. The Cash Flow Forecast has been prepared by the Applicants using probable and hypothetical assumptions (the "**Assumptions**") set out in the notes to the Cash Flow Forecast.

22. The Monitor has reviewed the Cash Flow Forecast through inquiries, analytical procedures and discussions, and review of documents related to the Information supplied to it by Management. Based on the Monitor's review, nothing has come to its attention that causes it to believe, in any material respect, that:

a. the Assumptions are not consistent with the purpose of the Cash Flow Forecast;

b. as at the date of this Third Report, the Assumptions are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Forecast, given the probable and hypothetical assumptions; or

c. the Cash Flow Forecast does not reflect the Assumptions.

23. The Cash Flow Forecast shows that the Applicants project estimated total combined receipts of approximately $261,000 and estimated total combined disbursements of approximately $984,000.

24. The Cash Flow Forecast projects that the Applicants will have sufficient liquidity during the Extended Stay Period, provided they make a further DIP Loan draw of approximately $276,000 pursuant to the Amended DIP Term Sheet.

EXTENSION TO THE STAY PERIOD

25. The Stay Period is currently set to expire on March 29, 2024. The Applicants are requesting an extension of the Stay Period up to and including April 19, 2024.

26. The Monitor understands that Blacksail has advised the Applicants that Blacksail will be the purchaser of the Applicants' business. The Applicants and Blacksail have been negotiating a share purchase agreement (the "**Share Purchase Agreement**") and require more time to finalize the Share Purchase Agreement, prepare court materials to seek court approval of same and provide the requisite notice to the service list.

27. The Monitor is of the view that the extension of the Stay Period is appropriate and the Applicants continue to operate in good faith and with due diligence.

28. The Cash Flow Forecast indicates that the Applicants will have sufficient liquidity for the duration of the Extended Stay Period.

CONCLUSIONS AND RECOMMENDATIONS

29. For the reasons stated herein, the Monitor supports the relief sought by the Applicants and recommends that the Court grant the order to extend the Stay Period to and including April 19, 2024 if the Court sees fit.

All of which is respectfully submitted this 21st day of March 2024.

ERNST & YOUNG INC., in its capacity as Monitor of the OF 9869247 CANADA LIMITED (d.b.a. SAFARI FLOWER COMPANY) AND GN VENTURES LTD., and not in its corporate or personal capacity.

K. Fung

per: ______________________________________

Karen Fung, CPA, CA
Senior Vice-President

Appendix A
Variance Analysis

9869247 CANADA LIMITED (d.b.a. SAFARI FLOWER COMPANY) AND GN VENTURES LTD.
Variance Analysis
For the Period February 19, 2024 to March 17, 2024
(CDN $)

	Forecast	Actual	Variance	Notes
Receipts				
Collections of Sales	206,270	363,480	157,210	1
Other Collections	0	0	0	
Total Receipts	**206,270**	**363,480**	**157,210**	
Disbursements				
Payroll	(191,200)	(208,012)	(16,812)	
Operational G&A and Taxes	(69,105)	(71,996)	(2,891)	
Utilities	(147,000)	(221,697)	(74,697)	2
Operating Costs	(245,000)	(191,812)	53,188	3
Restructuring Costs	(706,000)	(567,082)	138,918	4
Total Disbursements	**(1,358,305)**	**(1,260,599)**	**97,705**	
Net Cash Receipts/ (Disbursements)	(1,152,035)	(897,120)	254,915	
Cash on hand				
Opening Balance	1,005,385	1,005,385	0	
DIP Facility Draw/Repayment	455,500	452,098	(3,402)	
Net Cash Receipts/(disbursements)	(1,152,035)	(897,120)	254,915	
Ending cash balance	308,850	560,363	251,513	

Notes
1) Collection of accounts receivable was greater than forecast and represents a favourable timing difference.
2) The payments for utilities where higher than forecast and represent a negative timing difference.
3) The payments for operating costs were lower than forecast and represent a favourable timing difference.
4) Payment of restructuring costs were less than forecast and represent a timing difference.

Appendix B

Cash Flow Forecast

9869247 CANADA LIMITED (d.b.a. SAFARI FLOWER COMPANY) AND GN VENTURES LTD.
Consolidated Cash Flow Forecast
$CDN

		1	2	3	4	5	
Week Beginning		**18-Mar-24**	**25-Mar-24**	**1-Apr-24**	**8-Apr-24**	**15-Apr-24**	**Total**
	Notes						
Receipts							
Collections of Sales	1	$ -	$ 27,500	$ 46,204	$ 90,765	$ 57,029	$ 221,498
Other Collections	2	-	-	-	40,000	-	40,000
Total Receipts		**-**	**27,500**	**46,204**	**130,765**	**57,029**	**261,498**
Disbursements							
Operating Costs	3	100,000	100,000	60,000	60,000	67,500	387,500
Payroll Costs	4	85,000	5,700	-	85,000	-	175,700
Utilities	5	-	-	-	-	7,000	7,000
Operational G&A and Taxes	6	13,558	22,450	-	23,896	-	59,905
Restructuring Costs	7	125,000	25,000	25,000	25,000	153,900	353,900
Total Disbursements		323,558	153,150	85,000	193,896	228,400	984,005
Net cash receipts/(disbursements)		**$ (323,558)**	**$ (125,650)**	**$ (38,796)**	**$ (63,132)**	**$ (171,371)**	**$ (722,507)**
Cash on hand							
Opening Balance	8	$ 560,363	$ 236,805	$ 387,155	$ 348,359	$ 285,228	$ 560,363
DIP Facility Draw/Repayment	9	-	276,000	-	-	-	276,000
Net Cash Receipts/(disbursements)		(323,558)	(125,650)	(38,796)	(63,132)	(171,371)	(722,507)
Ending cash balance		**$ 236,805**	**$ 387,155**	**$ 348,359**	**$ 285,228**	**$ 113,856**	**$ 113,856**

IN THE MATTER OF THE CCAA OF 9869247 CANADA LIMITED (d.b.a. SAFARI FLOWER COMPANY) AND GN VENTURES LTD. (collectively, the "Applicants")

Notes to the Unaudited Cash Flow Forecast of the Applicants

March 18, 2024 to April 21, 2024 (the "Forecast Period")

Disclaimer:

In preparing this cash flow forecast (the "**Cash Flow Forecast**"), the Applicants, with the assistance of Ernst & Young Inc. (the "**Monitor**"), have relied upon unaudited financial information and the Applicants have not attempted to further verify the accuracy or completeness of such information. The Cash Flow Forecast includes estimates concerning the Applicants' operations and additional assumptions discussed below with respect to the impact of a *Companies' Creditors Arrangement Act* ("**CCAA**") filing (the "**Probable and Hypothetical Assumptions**" or the "**Assumptions**"). Since the Cash Flow Forecast is based on Assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Forecast Period will vary from the Cash Flow Forecast, even if the Assumptions materialize, and such variation may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized.

Overview:

The Cash Flow Forecast includes the receipts and disbursements of the Applicants during the Forecast Period. The Applicants, with the assistance of the Monitor, have prepared the Cash Flow Forecast based primarily on estimated receipts and disbursements related to the Applicants' ongoing operations during the anticipated stay extension period.

Receipts and disbursements are denominated in Canadian dollars.

Assumptions:

1. **Sales**
   This category includes revenues generated by the Applicants through the sale of cannabis products to provincial distributors domestically, bulk to other licensed producers and internationally to licensed customers in their respective countries.

2. **Other Receipts**
   This category includes HST refunds and a return of other deposits.

3. **Operating Costs**
   Represents disbursements related to purchase of raw materials, consumables, general repairs and maintenance, and security.

4. **Payroll Costs**
   Employees are paid on a bi-monthly basis. Payroll costs include WSIB, EHT and benefits.

5. **Utilities**
   Represents the cost of gas, water and hydro.

6. **Operational G&A and Taxes**
   Operational expenses such as health Canada licences, insurance, sales taxes, property taxes and excise duty taxes.

7. **Restructuring Costs**
   Restructuring costs include professional fee payments and expenses of the Applicants' legal counsel, the Monitor and its counsel in connection with the Applicants' restructuring proceedings.

8. **Beginning Balance**
   Represents the opening cash balance as of March 18, 2024.

9. **DIP Draws/(Repayments)**
   Represents a DIP draw pursuant to the Amended DIP term sheet dated February 21, 2024. Interest payments are also included in these amounts.

Appendix C

Amended DIP Term Sheet