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")**

FOURTH REPORT OF THE MONITOR DATED APRIL 15, 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 (as defined below), 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.

5. On March 25, 2024, the Court granted an Order (the "**Stay Extension Order**") that extended the Stay Period to and including April 19, 2024.

PURPOSE

6. The purpose of this fourth report of the Monitor (the "**Fourth Report**") is to provide information to the Court on:

a. the Applicants' receipts and disbursements for the period from March 18, 2024 to April 7, 2024 compared to the cash flow forecast appended as Appendix "B" (the "**Initial Cash Flow Forecast**") to the Monitor's Third Report dated March 21, 2024 (the "**Third Report**");

b. the Applicants' updated weekly cash flow forecast from April 8, 2024 to May 5, 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 May 3, 2024 (the "**Extended Stay Period**").

TERMS OF REFERENCE

7. In preparing this Fourth 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, (the CEO and CFO collectively, the "**Management**"), and information from other third-party sources (collectively, the "**Information**"). Except as described in this Fourth 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 Fourth 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.

8. Future oriented financial information referred to in this Fourth 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.

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

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

11. 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

12. The Applicants, through their operating company Safari Flower Company ("**Safari Flower**"), are a licensed cultivator and processor of cannabis.

13. 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.

14. 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.

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

APPLICANTS' RECEIPTS AND DISBURSEMENTS

16. A summary of the Applicants' actual receipts and disbursements during the period from March 18, 2024 to April 7, 2024 (the "**Reporting Period**"), as compared to the Initial Cash Flow Forecast (the "**Variance Analysis**") is attached as **Appendix "A"** to this Fourth Report.

17. During the Reporting Period, the Applicants' operations generated a net cash outflow of approximately $205,000. The favourable variance for the Reporting Period of approximately $283,000 is primarily a result of favourable timing differences in regards to:

    a. collection of deposits for both domestic and international sales; and

    b. payment of restructuring and operating costs. This is expected to reverse in the coming weeks,

    however, the variance was partially offset by an unfavourable timing difference in payroll.

18. As at April 7, 2024, the Applicants' cash on hand was approximately $355,000. As a result of the favourable variance, they were not required to draw on the third tranche of the DIP Loan of approximately $300,000, net of any interest payment. The total principal amount of draws from the DIP Loan to date is $1,000,000.

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.

UPDATE ON LENDERS' DISCUSSIONS

20. The Monitor understands that Blacksail had initially advised the Applicants that Blacksail would be the purchaser of the Applicants' business. The Applicants and Blacksail, with the assistance of the Monitor, had been negotiating a share purchase agreement (the "**SPA**") and preparing court materials to seek court approval of same.

21. However, the Monitor was advised by counsel to the Lenders that on or about April 8, 2024, Gray Jay requested a further extension in order to continue negotiations in respect of the assignment of debt and security. Blacksail agreed to an extension. The Monitor understands that the Lenders continue their negotiations as to the timing and terms of potential assignment agreements as between the Lenders and who will be the ultimate purchaser to complete the SPA with the Applicants. The Monitor understands that as the deliberations continue between the Lenders, it is the intent of the Applicants, with the agreement of the Lenders, to seek court approval of the SPA with Blacksail as purchaser; however, Gray Jay will have the ability to take an assignment of the SPA should it be determined between the Lenders that Gray Jay will be the ultimate purchaser.

22. While the negotiations continue between the Lenders during the proposed Extended Stay Period, the DIP Lender advised the Applicants that it will not provide further DIP funding beyond the $300,000 that remains undrawn which was approved under the Amended DIP Term Sheet.

OVERVIEW OF APPLICANTS' CASH FLOW FORECAST

23. The Applicants, with the assistance of the Monitor, have prepared a Cash Flow Forecast which includes forecast receipts and disbursements for the period from April 8, 2024 to the week ending May 5, 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 Fourth Report.

24. 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.

25. 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 Fourth 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.

26. The Cash Flow Forecast shows that the Applicants project estimated total combined receipts of approximately $152,000 and estimated total combined disbursements of approximately $609,000.

27. Based on the Cash Flow Forecast, the Applicants will be able to continue the business through the Extended Stay Period provided they draw down the remaining balance of the DIP Loan pursuant to the Amended DIP Term Sheet, being $300,000.

28. The Monitor notes that:

   a. pursuant to the Consultant Agreement, Blacksail must make the second payment of $180,000 + HST by no later than April 15, 2024. The Monitor was advised by Blacksail's legal counsel that Blacksail and HAI have agreed to defer the payment for one week. Because this payment will be made by Blacksail, it has not been included as a disbursement in the Cash Flow Forecast;

b. the Cash Flow Forecast does not contemplate payments for restructuring costs in the Forecast Period as the Applicants' legal counsel, and the Monitor and its counsel, have agreed to allow temporary deferral of their payments; and

c. the week commencing May 6, 2024, the Applicants will need additional DIP funding to continue its business until a transaction can be completed and payment of any deferred professional fees as stated in 28(b).

EXTENSION TO THE STAY PERIOD

29. The Stay Period is currently set to expire on April 19, 2024. The Applicants are requesting an extension of the Stay Period until May 3, 2024.

30. The Monitor is of the view that the extension of the Stay Period is appropriate to allow (i) the negotiations between the Lenders to run its course, and (ii) the finalization of the SPA, while continuing to ensure stability in the Applicants' business and operations.

31. The Monitor is of the view that the Applicants continue to operate in good faith and with due diligence.

32. The Cash Flow Forecast indicates that the Applicants will have sufficient liquidity for the duration of the Extended Stay Period with the additional $300,000 DIP advance pursuant to the Amended DIP Term Sheet.

33. For the foregoing reasons, the Monitor supports the Applicants' request to extend the Stay Period to May 3, 2024.

CONCLUSIONS AND RECOMMENDATIONS

34. 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 May 3, 2024, if the Court sees fit.

All of which is respectfully submitted this 15th day of April 2024.

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

per: ___________________________________

Karen Fung, CPA, CA, LIT, CIRP
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 March 18, 2024 to April 7, 2024
(CDN $)

	Forecast	Actual	Variance	Notes
Receipts				
Collections of Sales	73,704	190,266	116,561	1
Other Collections	0	3,892	3,892	
Total Receipts	**73,704**	**194,158**	**120,454**	
Disbursements				
Operating Costs	260,000	100,255	(159,745)	2
Payroll Costs	90,700	163,758	73,058	3
Utilities	0	0	0	
Operational G&A and Taxes	36,008	35,920	(89)	
Restructuring Costs	175,000	99,231	(75,769)	4
Total Disbursements	**561,708**	**399,163**	**(162,545)**	
Net Cash Receipts/ (Disbursements)	(488,004)	(205,005)	282,999	
Cash on hand				
Opening Balance	560,363	560,363	0	
DIP Facility Draw/Repayment	276,000	-	(276,000)	5
Net Cash Receipts/(disbursements)	(488,004)	(205,005)	282,999	
Ending cash balance	348,359	355,358	6,999	

1) Collection of sales receipts were greater than forecast as increased deposits were received for both domestic and international sales. The positive variance represents a timing difference.

2) The payment of operating costs were lower than forecast as the company is receiving some trade credit vs. prepayment/COD terms. The positive variance represents a timing difference.

3) The payroll was withdrawn from the bank account on April 5 vs. April 8 as forecast. The negative variance is a timing difference.

4) Payment of restructuring costs were less than forecast and represents a timing difference.

5) The company was not required to make a further DIP Loan draw during the Reporting Period.

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	
Week Beginning		**8-Apr-24**	**15-Apr-24**	**22-Apr-24**	**29-Apr-24**	**Total**
	Notes					
Receipts						
Collections of Sales	1	$ 34,969	$ 51,085	$ 66,142	$ -	$ 152,197
Other Collections	2	-	-	-	-	-
Total Receipts		**34,969**	**51,085**	**66,142**	**-**	**152,197**
Disbursements						
Operating Costs	3	75,000	67,500	60,000	75,000	277,500
Payroll Costs	4	-	-	85,000	23,000	108,000
Utilities	5	-	44,550	110,000	-	154,550
Operational G&A and Taxes	6	23,896	-	13,558	31,650	69,105
Restructuring Costs	7	-	-	-	-	-
Total Disbursements		98,896	112,050	268,558	129,650	609,155
Net cash receipts/(disbursements)		**$ (63,927)**	**$ (60,965)**	**$ (202,416)**	**$ (129,650)**	**$ (456,958)**
Cash on hand						
Opening Balance	8	$ 355,358	$ 291,431	$ 530,466	$ 328,050	$ 355,358
DIP Facility Draw/Repayment	9	-	300,000	-	-	300,000
Net Cash Receipts/(disbursements)		(63,927)	(60,965)	(202,416)	(129,650)	(456,958)
Ending cash balance		**$ 291,431**	**$ 530,466**	**$ 328,050**	**$ 198,400**	**$ 198,400**
DIP						
Opening Balance	9	$1,002,685	$1,005,370	$1,308,860	$1,313,693	$1,002,684.93
DIP Facility Draw/(Repayment)		-	300,000	-	-	300,000
Interest		2,685	3,490	4,833	4,833	15,841
Ending Balance		$1,005,370	$1,308,860	$1,313,693	$1,318,526	$1,318,526.03

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

April 8, 2024 to May 5, 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. The Cash Flow Forecast does not contemplate payments for restructuring costs in the Forecast Period as the Applicants' legal counsel, and the Monitor and its counsel, have agreed to allow temporary deferral of their payments.

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

9. **DIP Draws/(Repayments)**
   Represents DIP draws pursuant to the Amended DIP term sheet. As of April 1st, 2024, the balance of the DIP Loan was $1,000,000 as accrued interest was netted against previous DIP draws.