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"**)

SEVENTH REPORT OF THE MONITOR DATED JULY 24, 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 $1,000,000 (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 (the “**DIP Lender’s Charge**”).

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. increased 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;

c. increased 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;

d. approved 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;

e. approved the settlement agreement dated February 22, 2024 (the "**Consultant Agreement**") among the Applicants, the lenders Blacksail and Gray Jay Estates Inc., 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

f. approved 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 that extended the Stay Period to and including April 19, 2024.

6. On April 16, 2024, the Court granted an Order (the "**Stay Extension Order**") that extended the Stay Period to and including May 7, 2024.

7. On May 7, 2024, the Court granted an Order (the "**Approval and Reverse Vesting Order**"), among other things:

   i. approving the Share Purchase Agreement dated April 29, 2024 (the "**Share Purchase Agreement**") in respect of the share sale transaction (the "**Transaction**") between GN Ventures Ltd. (the "**Vendor**"), 9869247 Canada Limited (d.b.a. Safari Flower Company) ("**Safari Flower**" or the "**Company**") and Blacksail and vesting in Blacksail the Applicant's right, title and interest in the shares of Safari Flower (the "**Purchased Shares**") as described in the Share Purchase Agreement free and clear of all Encumbrances, except for the Permitted Encumbrances;

   ii. vesting absolutely and exclusively in a residual company ("**ResidualCo**"), all Excluded Assets, Excluded Contracts and Excluded Liabilities;

iii. effective on the closing of the Transaction, adding ResidualCo (1000877547 Ontario Inc.) as an Applicant to the CCAA Proceedings;

iv. approving releases (the "**Releases**") in favour of (i) Dr. Leanne Brigitte Simons and Mr. Patrick Grobe as directors of the Applicants in connection with a pre-filing sale process (the "**Sale Process**") and as at the date of the commencement of the CCAA Proceedings; (ii) all other directors, officers, legal counsel and advisors of the Applicants as at date of the commencement of the CCAA Proceedings; (iii) the directors, officers, legal counsel and advisors of ResidualCo that were directors, officers, legal counsel and advisors of ResidualCo as at date of incorporation of ResidualCo; (iv) Ernst & Young Inc. ("**EY**"), in its capacity as Monitor in these CCAA proceedings (the "**Monitor**") and its legal counsel; and (v) the current directors, officers, employees, legal counsel and advisors of Hyde Advisory & Investments Inc. ("**HAI**") in connection with the Sale Process and as at the date of the commencement of the CCAA Proceedings (collectively, the "**Released Parties**");

v. expanding the Monitor's powers regarding ResidualCo; and

vi. terminating the Directors' Charge, Consultant's Charge and KERP Charge effective on the closing of the Transaction.

b. On May 7, 2024, the Court also granted an Order (the "**Ancillary Order**"):

i. extending the Stay Period to and including June 30, 2024;

ii. increasing the authorized borrowings under the Second Amended DIP Term Sheet dated April 26, 2024 (the "**Second Amended DIP Term Sheet**"), to a maximum principal amount of $2,600,000 and increasing the DIP Lender's Charge to a maximum principal amount of $2,600,000 plus interest, fees, legal costs and any other amounts payable under the Second Amended DIP Term Sheet; and

iii. approving the Third Report, Fourth Report and this Fifth Report, and the conduct and activities of the Monitor described therein.

c. On June 26, 2024, the Court granted an Order (the "**Stay Extension and CCAA Termination Order**"):

   i. granting an extension of the Stay Period to the earlier of (i) July 26, 2024 or (ii) the CCAA Termination Time (as defined herein);

   ii. approving this Sixth Report, and the conduct and activities of the Monitor described therein;

   iii. approving the fees and disbursements of the Monitor and its counsel, including an estimate of fees to complete the administration of the CCAA Proceedings;

   iv. terminating, releasing and discharging the DIP Lender's Charge as against all Applicants (including ResidualCo) upon the filing of the Monitor's Certificate (as defined in the Approval and Reverse Vesting Order);

   v. terminating the CCAA Proceedings upon service of a certificate by the Monitor (the "**Termination Certificate**") on the service list in these CCAA Proceedings (the "**CCAA Termination Time**");

   vi. effective at the CCAA Termination Time;

      i. terminating, releasing and discharging the Administration Charge as defined in the Initial Order;

      ii. discharging Ernst & Young Inc. as Monitor of the Applicants; and

      iii. releasing Ernst & Young Inc. and its counsel from any and all liability that Ernst & Young Inc. and its counsel have or may have by reason of, or in any way arising out of, the acts or omissions of Ernst & Young Inc., or its counsel, while Ernst & Young Inc. was acting in its capacity as Monitor of the Applicants, save and except for any gross negligence or wilful misconduct on the Monitor or its counsel's part.

PURPOSE

8. The purpose of this seventh report of the Monitor (the "**Seventh Report**") is to provide information to the Court on:

   a. the Applicants' receipts and disbursements for the period from June 17, 2024 to July 21, 2024, compared to the cash flow forecast appended as Appendix "B" (the "**Initial Cash Flow Forecast**") to the Monitor's Sixth Report dated June 24, 2024 (the "**Sixth Report**");

   b. the Applicants' updated weekly cash flow forecast from July 22, 2024 to August 18, 2024 on a consolidated basis for all of the Applicants (the "**Cash Flow Forecast**"); and

   c. the Monitor's recommendation with respect to the Applicants' motion for an order (the "**Stay Extension Order**") granting an extension of the Stay Period to the earlier of (i) August 9, 2024 or (ii) the CCAA Termination Time (the "**Extended Stay Period**").

TERMS OF REFERENCE

9. In preparing this Seventh 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 Seventh 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 Seventh 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.

10. Future oriented financial information referred to in this Seventh 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.

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

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

13. 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

14. The Applicants, through their operating company Safari Flower, are a licensed cultivator and processor of cannabis.

15. 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.

16. 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.

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

ACTIVITIES OF THE APPLICANTS SINCE THE SIXTH REPORT

18. Since the Sixth Report, the Applicants have continued to operate in their ordinary course of business, focusing on closing the Transaction. This included:

    a. communicating with Health Canada in regard to their cannabis license and the Transaction;

    b. preparing the closing documentation; and

    c. participating in ongoing discussions with Blacksail.

APPLICANTS' RECEIPTS AND DISBURSEMENTS

19. A summary of the Applicants' actual receipts and disbursements during the period from June 17, 2024, to July 21, 2024 (the "**Reporting Period**"), as compared to the Initial Cash Flow Forecast (the "**Variance Analysis**") is attached as **Appendix "A"** to this Seventh Report.

20. During the Reporting Period, the Applicants' operations generated a net cash outflow of approximately $14,000. As at July 21, 2024, the Applicants' cash on hand was approximately $998,000. The Applicants drew on the DIP Loan of approximately $500,000 as anticipated and the DIP Loan is fully drawn.

21. The favourable cash variance for the Reporting Period of approximately $584,000 is primarily a result of:

    a. favourable timing differences in collection of international receipts; and

    b. favourable timing differences in respect of payment of operating costs as vendors are returning to payment terms versus prepayments and COD and the non-payment of restructuring costs as a result of the delay in closing offset by a negative timing difference in the payment of utilities.

22. 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

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 July 22, 2024 to the week ending August 18, 2024 (the "**Forecast Period**") for the purpose of projecting the Applicants' estimated liquidity needs during the Forecast Period. A copy of the Cash Flow Forecast is attached as **Appendix "B"** to this Seventh Report.

24. The Cash Flow Forecast is presented on a weekly basis during the Forecast Period and represents the estimates of Management of the Applicants' projected cash flow during the Forecast 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 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.

26. The Cash Flow Forecast shows that the Applicants project estimated total combined receipts of approximately $90,000 and estimated total combined disbursements of approximately $989,000. The disbursements contemplate amounts for key employee retention payments.

27. Based on the Cash Flow Forecast, the Applicants will not require additional DIP funding and is estimated to have cash on hand as at August 18, 2024 of $98,000.

28. The Cash Flow Forecast projects that the Applicants will have sufficient liquidity during the Extended Stay Period, should it be approved by this Court.

EXTENSION TO THE STAY PERIOD

29. The Stay Period is currently set to expire on July 26, 2024. The Applicants are requesting an extension of the Stay Period until earlier of August 9, 2024 and the CCAA Termination Time.

30. The Monitor understands that Safari and Blacksail require additional time to close the Transaction, including Health Canada approval.

31. The Monitor is of the view that the extension of the Stay Period is appropriate for the following reasons:

    a. it allows time for the Applicants to satisfy the conditions of the Transaction and close the Transaction;

    b. 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.

33. For the foregoing reasons, the Monitor supports the Applicants' request to extend the Stay Period to the earlier of August 9, 2024 and the CCAA Termination Time.

APPROVAL OF THE MONITOR'S ACTIVITIES

34. The activities of the Monitor since the granting of the Stay Extension and CCAA Termination Order have been primarily focused on disbursement review and reviewing certain closing documents. The Monitor is seeking this Court's approval of this report and the activities outlined therein.

35. The proposed approval of the Monitor's activities and reports is limited such that only the Monitor, in its personal capacity and with respect to its own personal liability, shall be entitled to rely upon or utilize in any way such approval.

CONCLUSIONS AND RECOMMENDATIONS

36. For the reasons stated herein, the Monitor supports the relief sought by the Applicants and recommends that the Court grant the Stay Extension Order if the Court sees fit.

All of which is respectfully submitted this 24th day of July 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, CIRP, LIT
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 June 17, 2024 to July 21, 2024
(CDN $)

	Forecast	Actual	Variance	Notes
Receipts				
Collections of Sales	179,474	555,357	375,883	1
Other Collections	170,000	117,780	(52,220)	2
Total Receipts	349,474	673,137	323,663	
Disbursements				
Operating Costs	307,500	168,438	139,062	3
Payroll Costs	178,000	166,306	11,694	
Utilities	148,877	269,099	(120,222)	4
Operational G&A and Taxes	103,001	82,974	20,027	5
Restructuring Costs	210,000	-	210,000	6
Total Disbursements	947,378	686,817	260,561	
Net cash receipts/(disbursements)	(597,904)	(13,680)	584,224	
Cash on hand				
Opening Balance	511,359	511,359	-	
DIP Facility Draw/Repayment	500,000	500,000	-	
Net Cash Receipts/(disbursements)	(597,904)	(13,680)	584,224	
Ending cash balance	413,455	997,679	584,224	

1) Collection of sales receipts were greater than forecast primarily due to faster collection of international sale receipts.

2) Other collections represents receipts of HST refunds and were less than forecast.

3) Payments for operating costs were lower than forecast due to management cost controls and the Company is receiving some trade credit vs. prepayment/COD terms. The positive variance represents a combination of permanent and timing differences.

4) Payments for utilities were greater than forecast and represents a timing difference.

5) Operational G&A and taxes were less than forecast primarily as a result of lower than forecast HST payments due to lower domestic sales.

6) No payments were made in respect of restructuring costs due the delay in closing.

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	Notes	**22-Jul-24**	**29-Jul-24**	**5-Aug-24**	**12-Aug-24**	**Total**
Receipts						
Collections of Sales	1	$ -	$ 31,512	$ -	$ 58,665	$ 90,177
Other Collections	2	$ -	$ -	$ -	$ -	$ -
Total Receipts		**-**	**31,512**	**-**	**58,665**	$ 90,177
Disbursements						
Operating Costs	3	60,000	60,000	50,000	57,500	$ 227,500
Payroll Costs	4	87,175	19,700	-	91,500	$ 198,375
Utilities	5	-	-	7,600	-	$ 7,600
Operational G&A and Taxes	6	13,558	8,525	23,896	-	$ 45,980
Restructuring Costs	7	-	-	510,000	-	$ 510,000
Total Disbursements		160,733	88,225	591,496	149,000	989,455
Net cash receipts/(disbursements)		**$ (160,733)**	**$ (56,713)**	**$ (591,496)**	**$ (90,335)**	**$ (899,278)**
Cash on hand						
Opening Balance	8	$ 997,679	$ 836,945	$ 780,232	$ 188,736	$ 997,679
DIP Facility Draw/Repayment	9	-	-	-	-	$ -
Net Cash Receipts/(disbursements)		(160,733)	(56,713)	(591,496)	(90,335)	$ (899,278)
Ending cash balance		**$ 836,945**	**$ 780,232**	**$ 188,736**	**$ 98,401**	**$ 98,401**