REPORT OF THE TRUSTEE'S PRELIMINARY ADMINISTRATION

IN THE MATTER OF THE BANKRUPTCY OF

Atlas Global Brands Inc.

December 3, 2024

Ernst & Young Inc.

by Ms. Karen Fung, Trustee

Superintendent's File No. 31-3152517

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

On June 20, 2024, Atlas Global Brands Inc. (“Atlas”) and certain of its subsidiaries (the “Atlas Group”) brought an 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.

By way of background, the principal business activity of the Atlas Group was the production, distribution, and sale of cannabis internationally and in Canada. Atlas Group medical cannabis was sold and distributed in Canada, Australia, Germany, Israel, Denmark, Norway, Spain, and United Kingdom. The Atlas Group also sold a small amount of cannabis for the adult recreational market in Canada.

GreenSeal, Nursery, AgMedica Biosciences Inc. (“AgMedica”), Wellworth Health Corp. (previously 11201336 Canada Inc) (“Wellworth”), 5047346 Ontario Inc.(“504 Ontario”), 8050678 Canada Inc. (“8050 Canada”) and Tavivat Naturals Inc. (“Tavivat” and collectively with GreenSeal, Nursery, AgMedica, Wellworth, 504 Ontario and 8050 Canada, the “Ontario Subsidiaries”) were subsidiaries of Atlas.

Atlas was a holding company providing management services to the Ontario Subsidiaries and strategic direction to the Atlas Group. Atlas’ operations were substantially conducted through its Ontario Subsidiaries, AgMedica and GreenSeal in particular.

*AgMedica*

AgMedica is licensed producer of cannabis in respect of its indoor production and distribution facility at 566 Riverview Drive, Chatham-Kent, Ontario (the “Chatham Facility”). AgMedica had wholly owned and controlled three subsidiaries:

- 504 Ontario which owns the Chatham Facility and is liable under the mortgages on the property;
- Tavivat, which had no employees. It was acquired along with 8050 Canada to become the operating company for the contemplated infused beverage business;
- 8050 Canada which had no employees or assets. Its only asset is intellectual property related to a specialized bottle cap that can be used to infuse the beverage with cannabis.

AgMedica controlled a fifth subsidiary, Wellworth, which has no operations, employees, or liabilities. It was acquired to facilitate access to the Canadian medical cannabis market prior to legalization of recreational use. AgMedica owns 80% of Wellworth, and the remaining 20% is owned by 11213091 Canada Inc.

GreenSeal Nursery ("Nursery") is a licensed cannabis nursery in Stratford, Ontario. It owns and manages over 1,000 cannabis plants' genetics.

*GreenSeal*

GreenSeal is a licensed producer of cannabis based in Stratford, Ontario in respect of its facility located at 530 Wright Boulevard, Stratford, Ontario (the "Stratford Facility").

*The Reverse Vesting Order Transactions*

On October 4, 2024, the Court issued an Approval and Reverse Vesting Order (the "AgMedica ARVO") that, among other things:

- Approved the binding letter of intent dated September 18, 2024 (the "Binding LOI") from Shalcor Management Inc. on behalf of Callisto Capital Corp. (the "LP Purchaser") and 2596690 Ontario Inc. on behalf of a corporation to be incorporated by it (the "Facility Purchaser", respectively, and together with the LP Purchaser, the "Purchasers") wherein the Purchasers agreed to acquire, directly or indirectly, Atlas, Nursery, AgMedica, and 504 Ontario Inc. ("FacilityCo"), (collectively, the "Purchased Entities").
- Approved the form of the proposed subscription agreement between Atlas and the Purchasers (the "AgMedica Transaction Agreement") for the acquisition of the Purchased Entities on substantially the terms of the Binding LOI (together with all other corporate proceedings and transactions set forth therein, the "AgMedica Transactions");

- that upon the AgMedica Transactions having been completed, and upon the Monitor delivering a Monitor's certificate to the Purchased Entities and Purchasers, all Excluded Assets, Excluded Contracts and Excluded Liabilities (as defined in the AgMedica Transaction Agreement) shall vest absolutely and exclusively in 2650751 Alberta Inc. ("ResidualCo"); and
- added ResidualCo as an Applicant in these CCAA proceedings.

On October 29, 2024, the Court issued an Approval and Reverse Vesting Order (the "GreenSeal ARVO") that, among other things:

- Approved the proposed subscription agreement (the "GreenSeal Subscription Agreement") between Atlas, GreenSeal and Brick Ponds Inc. or its nominee (the "GreenSeal Purchaser") for the acquisition of the shares of GreenSeal (the "GreenSeal Transaction");
- that upon the GreenSeal Transaction having been completed, and upon the Monitor delivering a Monitor's certificate to GreenSeal and the GreenSeal Purchaser, all Excluded Assets, Excluded Contracts and Excluded Liabilities (as defined in the GreenSeal Transaction Agreement) shall vest absolutely and exclusively in ResidualCo.

The AgMedica Transactions closed on August 28, 2024, and the GreenSeal Transaction closed on November 4, 2024. The Excluded Assets, Excluded Contracts and Excluded Liabilities arising from both transactions vested in ResidualCo.

On November 12, 2024, the Monitor filed an assignment in bankruptcy for Atlas and Ernst & Young Inc. was appointed as Trustee in Bankruptcy. A statement of affairs was prepared and filed with the Official Receiver on the same date.

Further details of CCAA proceedings can be found on the Monitor's website at www.ey.com/ca/atlasglobal.

The Purchasers provide the Monitor with funds to finalize the CCAA estate and fund the bankruptcy of Atlas.

Section B Conservatory and Protective Measures

The Trustee has taken the following conservatory and protective measures:

- Separate books and records were set up to record the transactions of the Trustee.
- A bank account is in the process of being opened in the name of Ernst & Young Inc., Trustee of the bankrupt.

Building a better working world

- The Trustee, by virtue of the Share Purchase Agreements, has ongoing access to certain books and records, including bank statements, payroll, and tax records and will prepare the necessary tax filings of Atlas.

SECTION C Legal Proceedings

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

SECTION D Provable Claims/Anticipated Realizations

The Trustee has received, to date, 4 proofs of claim totaling approx. $1.86 million. As a result of the Transaction described above, there will likely be little to no recovery for the unsecured creditors nor will there be any recovery to the shareholders of Atlas.

SECTION E Reviewable Transactions and Preference Payments

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

Ernst & Young Inc.
Trustee of the Bankrupt Estate of
Atlas Global Brands Inc.

Per: K. Fung

Karen Fung, CPA, CA, CIRP, LIT
Senior Vice President