Court File No. 542329

SUPREME COURT OF NOVA SCOTIA
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF an application of Mernova Medicinal Inc. and Creso Canada Limited.

AND IN THE MATTER OF the *Companies' Creditors Arrangement Act,* R.S.C., 1985, c. C-36, as amended

FISRT REPORT TO THE COURT
SUBMITTED BY GRANT THORNTON LIMITED
IN ITS CAPACITY AS MONITOR

April 23, 2025

Doane Grant Thornton

Grant Thornton Limited
Monitor

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Halifax, NS B3J 0E9

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Introduction

1. Pursuant to an order (the "**Initial Order**") issued on April 16, 2025 by the Supreme Court of Nova Scotia in Bankruptcy and Insolvency (the "**Court**"), Mernova Medicinal Inc. ("**Mernova**") and Cresco Canada Limited ("**Creso**", and together with Mernova, the "**Companies**") were granted protection under the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. *C-36* (the "**CCAA**"). A copy of the Initial Order is attached hereto as **Appendix "A"**.

2. The Initial Order, amongst other things:

   (a) appointed Grant Thornton Limited as monitor (the "**Monitor**") in the CCAA proceedings ("**CCAA Proceedings**") pursuant to section 11.7 (1) of the CCAA;

   (b) established an initial stay of proceedings up to and including April 25, 2025, or such date as the Court may by subsequent order direct (the "**Stay of Proceedings**");

   (c) granted an administration charge of $100,000 (the "**Administration Charge**") securing the fees and expenses of the Monitor, counsel to the Monitor, and counsel to the Companies in respect of the CCAA Proceedings;

   (d) granted a directors and officers charge of $150,000 (the "**D&O Charge**") as protection against the potential liability the Companies' directors and officers may incur in such capacity; and

   (e) granted approval for the Companies, with the consent of the Monitor, to make certain payments to suppliers, contractors, subcontractors and other creditors for amounts owing prior to the date of the Initial Order where such payments are deemed by the Companies to be critical and necessary for the ongoing operations of the Companies and the preservation of its business and property (the "**Critical Suppliers**") up to an aggregate amount of $65,000.

3. This first report of the Monitor ("**First Report**"), previous Court reports and all information in respect of the CCAA Proceedings are posted to the Monitor's case website at www.DoaneGrantThornton.ca/Mernova. Readers are encouraged to read the following reports of the Monitor, the materials filed with the Court in relation to these CCAA Proceedings and orders issued by the Court to provide additional information on the Companies' background and insolvency proceedings:

<u>Reports to the Court:</u>

(a) Pre-Filing Report, dated April 10, 2025

<u>Orders of the Court:</u>

(b) Initial Order, dated April 16, 2025

Purpose of the First Report

4. This First Report has been prepared by the Monitor to provide the Court and the Companies' stakeholders with the following:

   (a) an update on the Companies' activities since the Initial Order;

   (b) an update on the Monitor's activities since the date of the Pre-Filing Report;

   (c) an update as regards to the Companies' Critical Suppliers; and

   (d) the Monitor's understanding, views and recommendations regarding the Companies' motion to:

      i. approve an interim financing loan agreement up to a principal amount of $500,000 plus interest, costs and expenses (the "**Interim Financing Agreement**") between the Companies and La Plata Capital LLC ("**La Plata**", or in such capacity the "**DIP Lender**"), as well as an interim financing charge securing the amounts advanced under the Interim Financing Agreement ("**Interim Financing Charge**");

      ii. approve a sales and investment solicitation process ("**SISP**") to be facilitated by the Monitor in these CCAA Proceedings;

      iii. approve an extension of the Stay of Proceedings through July 18, 2025;

      iv. approve a key employee retention plan (the "**KERP**") and corresponding charge to secure obligations under the KERP up to the amount of $200,000 (the "**KERP Charge**") for individuals identified as critical management personnel of the Companies in order to retain and incentivize those parties to ensure the continued operation of Mernova as a going concern and the success of the CCAA Proceedings;

v. seal the confidential exhibit to the Monitor's Frist Report in respect of the KERP ("**Confidential Exhibit**");

vi. increase the Administration Charge from $100,000 to $250,000; and

vii. increase the D&O Charge from $150,000 to $300,000.

Terms of Reference

5. In preparing this First Report, the Monitor has relied upon unaudited internal financial statements, certain other financial information and financial projections of the Companies, discussions with management of the Companies ("**Management**"), discussions with the Companies' legal counsel and financial information provided by other stakeholders (collectively, the "**Information**"). While the Monitor has reviewed the Information for reasonableness and believes that the information provides a fair summary of the transactions and underlying financial position as reflected in the documents of the Companies, the Monitor has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Canadian Generally Accepted Auditing Standards.

6. Some of the Information used in preparing First Report consists of forward-looking information. The Monitor cautions that such information is based on assumptions about future events and conditions that are not yet ascertainable. The actual results with respect to the forward-looking information and the variations thereof could be significant.

7. In the course of its mandate, the Monitor has assumed the integrity and truthfulness of the Information and explanations presented to it by Management, directors of the Companies, and other stakeholders within the context in which the Information was presented. To date, nothing has come to the Monitor's attention that would cause it to question the reasonableness of these assumptions. The Monitor requested that Management, directors and other stakeholders bring to its attention any significant matters which were not addressed in the course of the Monitor's specific inquiries. Accordingly, this First Report is based solely on the Information (financial or otherwise) made available to the Monitor by the Companies, Management and other stakeholders.

8. This First Report has been prepared for the use of this Court and the Companies' stakeholders as general information relating to the Companies and these proposed CCAA

Proceedings, and to assist the Court in determining whether to grant the relief sought by the Companies. Accordingly, the reader is cautioned that this First Report may not be appropriate for any other purpose. The Monitor does not assume responsibility or liability for losses incurred by the reader as a result of the circulation, publication, reproduction or use of this First Report contrary to the provisions of this paragraph.

9. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined herein have the meaning given to them in prior reports of the Monitor, the MacKay Affidavit, orders of the Court, or the affidavit of Micheline MacKay sworn on or about April 21, 2025 ("**Second MacKay Affidavit**").

Companies' Activities

10. Since the date of the Initial Order the Monitor understands the Companies' and their advisors have, among other things:

(a) managed the day-to-day operations of the business in the ordinary course, inclusive of ordering and paying for excise stamps from Canada Revenue Agency ("**CRA**") for the continued sale of cannabis products;

(b) worked with the Monitor and the Companies' legal counsel to gather information that prospective purchasers or investors may require regarding the sale of, or investment in, the Companies' as part of a restructuring transaction in these CCAA Proceedings. The Monitor understands this process to date has included, amongst other things:

i. the development of a business plan inclusive of an extended pro-forma cash flow forecast;

ii. gathering information in respect of the Facility and what capital improvements may exist to increase capacity or production; and

iii. providing additional detail in respect of each product line, key performance indicators and Mernova's views on same for future growth.

(c) reviewed the Cash Flow Forecast and provided information on the financial position of the Companies' as requested by the Monitor;

(d) discussed and reviewed different options for interim financing in these CCAA Proceedings, culminating in the Interim Financing Agreement with La Plata discussed further below;

(e) reviewed the proposed KERP with the Companies' counsel and the proposed DIP Lender;

(f) communicated with customers, employees and creditors regarding the CCAA Proceedings, including the process for the continuation of supply and services and the impact of the Stay of Proceedings;

(g) assisted the Monitor in issuing the statutory notices required pursuant to the CCAA;

(h) through its counsel, communicated with La Plata regarding these CCAA Proceedings and the requirement for interim financing; and

(i) assisted legal counsel and the Monitor with information required in the preparation for the Comeback Hearing, scheduled for April 25, 2025.

Activities of the Monitor since the Pre-filing Report

11. The Monitor's activities since the date of the Pre-Filing Report have included, among other things:

(a) assisted the Companies and their counsel in reviewing the Interim Financing Agreement with La Plata;

(b) drafted the proposed SISP for review by the Companies', their counsel, the Monitor's counsel and the DIP Lender;

(c) reviewed and discussed the proposed KERP;

(d) consulted with various creditors and stakeholders regarding these CCAA Proceedings, including CRA, to provide additional information and respond to questions regarding the Monitor's understanding of the Companies' intentions in the near term;

(e) attended calls with the Companies, its counsel and the Monitor's counsel in respect of matters relating to the Interim Financing Agreement, KERP, the proposed SISP, and the proposed extension to the Stay of Proceedings;

(f) attended calls with Management to:

i. devise a process for cash flow reporting during the CCAA Proceedings;

ii. gain a further understanding of the business, its current challenges and potential opportunities in these CCAA Proceedings; and

iii. gather information necessary to respond to creditor and stakeholder inquiries.

(g) preparing this First Report; and

(h) reviewed the Companies' motion materials in respect of their requested relief summarized in paragraph 4(d) of this First Report.

12. Pursuant to section 23(1) of the CCAA, the Monitor has:

(a) published a notice to creditors of the Initial Order in AllNovaScotia, an online daily business publication, effective April 21, 2025. The notice is scheduled to run for two consecutive weeks until May 2, 2025. A copy of the notice is attached as **Appendix "B"**.

(b) on April 17, 2025, posted a copy of the notice to creditors ("**Notice to Creditors**") and application materials related to the Initial Order on the Monitor's case website;

(c) on April 17, 2025, sent the Notice to Creditors to every known creditor of the Companies with claims of $1,000 or more. A copy of the Notice to Creditors and affidavit of mailing is attached as **Appendix "C"**;

(d) prepared a list showing the name and address of the Companies' creditors and the estimated amounts of their claims per the books and records, and posted said list (without addresses) to the Monitor's case website on April 17, 2025. A copy of the list of creditors is attached as **Appendix "D"**;

(e) created a stakeholder website for these CCAA Proceedings at www.DoaneGrantThornton.ca/Mernova (the "**Case Website**") as well as dedicated e-mail address for inquires at Mernova@Doane.GT.ca; and

(f) filed with the Office of the Superintendent of Bankruptcy the required Statutory Form 1 and Form 2.

Communication with CRA

13. On April 16, 2025 the Monitor provided a copy of the Initial Order and notice of these CCAA Proceedings by way of email to CRA's "Excise and Specialty Tax Directorate"

regarding the Companies' recent order of stamps for its cannabis products, advising of the Stay of Proceedings and requesting the order not by rejected or delayed as a result of the issuance of the Initial Order. The Monitor received confirmation on April 17, 2025 that CRA would ship the Companies' most recent order for excise stamps, which is critical to Mernova's ability to continue operations in the ordinary course.

14. On April 17, 2025, in addition to sending the Creditors Notice pursuant to section 23(1) of the CCAA and in consideration of upcoming holidays prior to the Comeback Hearing, the Monitor provided a copy of the Initial Order and notice of these CCAA proceedings to legal counsel at the Department of Justice Canada who, in the Monitor's experience, typically act for CRA in Atlantic Canada. A copy of this email correspondence is attached hereto as **Appendix "E"**.

Critical Suppliers

15. Following the issuance of the Initial Order, the Companies and the Monitor met with various suppliers of Mernova to discuss the continuance of Mernova's operations and these CCAA Proceedings. Following those discussions, the Monitor understands that arrangements have been made with most suppliers for continued service.

16. The Companies and the Monitor continue to correspond with the Companies' suppliers regarding ongoing business operations through these CCAA Proceedings. As at the date of this First Report, the Companies have not requested consent of the Monitor to make any pre-filing payments in respect of critical suppliers pursuant to paragraph 8 of the Initial Order. Should any pre-filing payments in respect of critical suppliers be made, the Monitor will advise the Court of such in a subsequent report.

Interim Financing Agreement

17. As outlined in the Monitor's Pre-Filing Report and the Second MacKay Affidavit, the Companies require access to interim financing to pursue a restructuring in these CCAA Proceedings for the benefit of creditors and stakeholders. The Cash Flow Forecast prepared by the Companies in consultation with the Monitor and included in the Pre-Filing Report has been extended two weeks through July 20, 2025 ("**Extended Cash Flow Forecast**", attached at **Appendix "F"**). The Extended Cash Flow Forecast indicates the

Companies will require $500,000 of interim financing through the first 15 weeks of the CCAA Proceedings, which includes the proposed SISP discussed further below.

18. On April 21, 2025, the Companies executed the Interim Financing Agreement with La Plata for interim financing in these CCAA Proceedings, attached as Exhibit “A” to the Second MacKay Affidavit. The key terms of the Interim Financing Agreement include:

(a) a non revolving credit facility (the “**Interim Financing Facility**”) up to a maximum principal amount of $500,000, secured by way of a charge (“**Interim Financing Charge**”) subject only to: (i) the Administration Charge, not to exceed $250,000; (ii) the D&O Charge, not to exceed $300,000; and (iii) the KERP Charge, discussed further below, not to exceed $200,000;

(b) the Companies are joint and several borrowers under the Interim Financing Facility;

(c) no commitment fee;

(d) an interest rate of 12% per annum, escalating to 17% upon an event of default that is not cured in accordance with the Interim Financing Agreement;

(e) used to fund the working capital requirements of the Companies in accordance with its Cash Flow Forecast and to pay certain indebtedness of the Companies that arose prior to the commencement of the proceedings, including professional fees incurred in connection with the CCAA Proceedings;

(f) all reasonable fees and expenses incurred by the Interim Lender in connection with, among other things, the Interim Financing Facility, the ARIO and the enforcement of the Interim Lender’s rights thereunder, shall be added to the Interim Financing Facility, paid by the Companies on Maturity (as defined in the Interim Financing Agreement) and secured by the Interim Financing Charge;

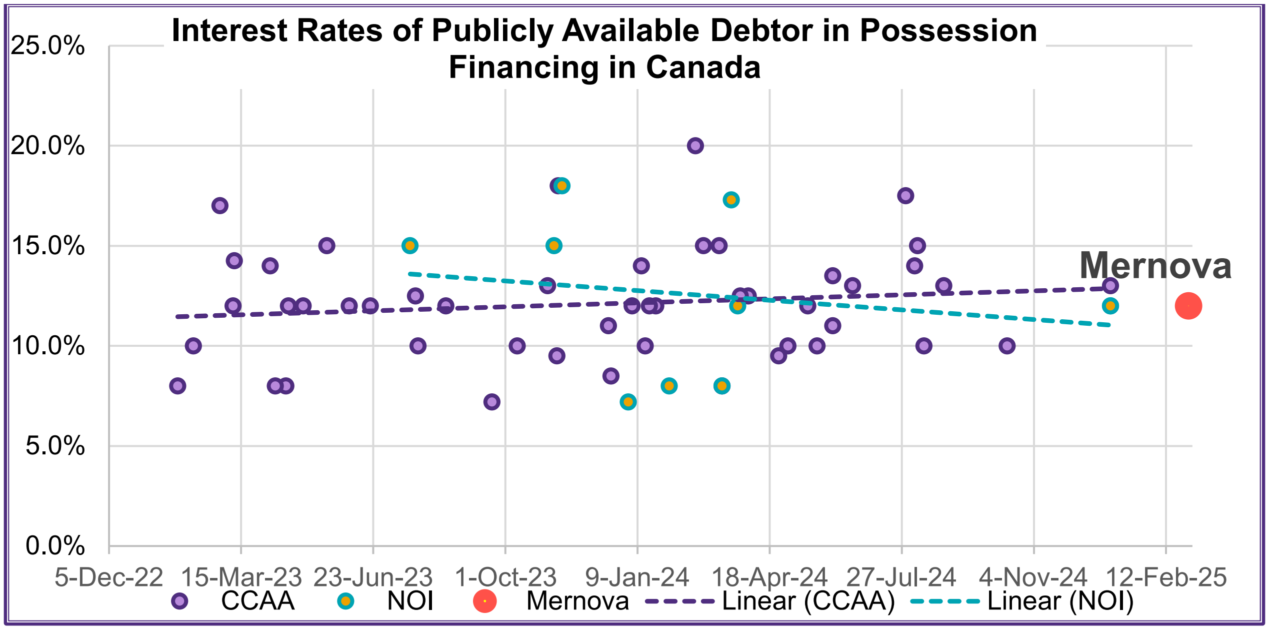
(g) maturity on the earlier of (1) July 31, 2025 (2) the implementation of a plan of arrangement or closing of a sale/investment transaction, in each case with approval by the Court (3) when the CCAA Proceedings are terminated, or (4) an event of default, as defined in the Interim Financing Agreement; and

(h) various covenants, conditions precedent, representations and warranties and events of default which are consistent with agreements of this nature, based on the Monitor’s review and experience.

19. The Monitor has reviewed the Interim Financing Agreement, the Extended Cash Flow Forecast and has engaged in discussions with the Companies and their counsel and notes the Interim Financing Facility provides sufficient liquidity to allow the Companies to operate as outlined in the Extended Cash Flow Forecast for the period through the proposed extension of the Stay of Proceedings, with any expenditures outside the approved Extended Cash Flow Forecast subject to Monitor and Interim Lender approval.

20. For certainty, the funding available under the Interim Financing Facility is sufficient to cover the period through the SISP and proposed extension of the Stay of Proceedings, but depending on the outcome of the SISP, additional funding may be required to close a transaction derived therefrom. The Monitor understands the Companies' have discussed the potential for such incremental financing with the DIP Lender, and if required the Monitor understands the Companies would request additional funding and associated relief pending the approval of a transaction.

21. The Interim Financing Agreement includes a 12% annual interest rate, with zero commitment fee and an escalation to a 17% interest rate upon an event of default. The Monitor has reviewed recent public data from the Insolvency Insider publication on restructuring mandates across Canada to assess whether this interest rate is comparable to recently approved debtor in possession or interim financings, and in particular to those in Atlantic Canada and in the cannabis sector. While the graph below does not purport to include all debtor in possession or interim financings approved in insolvency proceedings over the previous two years, the Monitor understands it represents the majority of such financing and provides the Monitor with data and context for its evaluation:



22. The Monitor notes that, based on the data reviewed, it appears the average interest rate for interim financing in recent restructuring mandates is approximately 12.1%, ranging from a low of ~5% to a high of ~20%, with the average rate of interim financing reviewed by the Monitor for cannabis-related proceedings at approximately 14%. The interest rate of the Interim Financing Agreement is consistent with the average rate, and below those observed by the Monitor in other cannabis restructurings.

23. The Monitor notes that the Interim Financing Agreement references pre-filing security agreements between Mernova and La Plata. From its review of the Interim Financing Agreement and discussions with the Companies, La Plata, and their respective counsel, the Monitor is satisfied that the Interim Financing Agreement does not seek to secure pre-filing obligations of the Companies to La Plata, nor limit the Monitor's independent review of the pre-filing security.

24. After consideration of the above, the Monitor is of the view the Companies' requested relief to approve the Interim Financing Facility pursuant to the Interim Financing Agreement is reasonable in the circumstances, given that:

(a) the Interim Financing Facility provides sufficient liquidity to operate the business in line with the Extended Cash Flow Forecast, the results of which will be reviewed by the Monitor throughout the CCAA Proceedings through the proposed extension to the Stay of Proceedings;

(b) without the Interim Financing Facility or similar financing, the Companies will be unable to continue operations, preserve the value of their property and advance a restructuring plan for the benefit of its creditors and stakeholders, including the SISP;

(c) the terms and conditions of the Interim Financing Agreement appear reasonable in the circumstances and are consistent with interim financings of this nature;

(d) La Plata is also a secured lender to the Companies, who is supporting these CCAA Proceedings by providing access to the Interim Financing Facility; and

(e) while the Companies and the Monitor considered multiple options in respect of interim financing to advance these CCAA Proceedings, the Monitor understands the Interim Financing Agreement with La Plata represents the best facility available to address the Companies' immediate liquidity needs and advance these CCAA Proceedings.

Proposed Sales and Investment Solicitation Process

25. In the Pre-Filing Report, the Monitor advised that it was the Companies' intention to seek approval of the Court for the Monitor to facilitate and administer a SISP to solicit interest in, and opportunities for, a sale of, or investment in, all or part of the Companies' assets and business operations as a going concern or otherwise (the "**Opportunity**").

26. The Monitor, in consultation with the Companies and the Interim Lender, have developed a Sales and Investment Solicitation Process and Bidding Procedures (the "**SISP Procedures**"), a copy of which is attached hereto as **Appendix "G"**.

<u>Pre-Filing Strategic Alternative Process</u>

27. The Monitor understands in discussions with the Companies, and as detailed within the MacKay Affidavit (dated April 9, 2025), the Companies carried out an informal strategic alternatives process prior to these CCAA Proceedings and engaged Hyde Advisory for assistance in seeking interest for a sale of, or investment in, Mernova. The Monitor understands that the informal process generated interest from a number of parties, however resulted in no investment offers or sale offers with transactional certainty, in particular given the pending demands of Melodiol's secured creditors as against Mernova.

28. The Monitor may, if deemed advantageous and in consultation with the Companies and the Interim Lender, engage with Hyde Advisory or another cannabis specific sales advisor (each a "**Sales Advisor**") for assistance during the SISP if the Monitor determines that

such engagement would be of benefit to the SISP and can be accomplished on such terms that are acceptable to the Companies, the Monitor and in accordance with the Extended Cash Flow Forecast. As at the date of this First Report, the Monitor does not expect such engagement will be required.

Marketing Approach:

29. Details of the proposed SISP are included in the Second MacKay Affidavit and at Appendix "G". A summary of the suggested timeline and marketing approach are as follows:

Milestone	Deadline
Granting of SISP order	April 25, 2025
Launch of SISP: (i) Monitor to send a solicitation letter to interested parties identified by the Monitor and the Companies; (ii) Monitor to make available a non-disclosure agreement ("**NDA**") to interested parties for access to a confidential information memorandum ("**CIM**") and a virtual data room ("**VDR**"); and (iii) Monitor to make available the VDR to bidders whom have executed an NDA.	May 9, 2025
Credit bidders and non-arms length party required to provide notice of participation	May 31, 2025
Bid Deadline	June 23, 2025
Selection of Successful Bid	July 3, 2025
Court Approval of Successful Bid	July 17, 2025
Target Closing Date	July 31, 2025

30. The SISP Procedures outline the Monitor's intended marketing efforts to garner interest in the SISP, which include amongst other things:

(a) The Monitor, in consultation with the Companies and Interim Lender, will develop:

i. a list of parties who have previously demonstrated interest in the Opportunity, or to whom the Monitor expects may have an interest in the Opportunity;

ii. a solicitation letter to describe the Opportunity for potentially interested parties;

iii. a confidential information memorandum ("**CIM**") and virtual data room ("**VDR**") containing detailed information on the Companies and the Opportunity, to be provided to interested parties upon execution of a Non-Disclosure Agreement ("**NDA**") and satisfaction of the terms outlined within the SISP Procedures;

(b) The Monitor will publish advertisements in AllAtlanticCanada, Insolvency Insider and any other publication sources upon consultation with the Companies at intervals deemed appropriate given the timeline of the proposed SISP.

Credit Bids and Insider Bids

31. Paragraphs 34-39 of the proposed SISP sets out the methodology and procedures by which the Monitor may accept potential credit bids or non arms length bids in the SISP. Further, paragraph 28 of the SISP confirms that Qualified Bidders will be prohibited from communicating with any other Qualified Bidder with respect to matters relating to the SISP during the term of the SISP, without the consent of the Monitor, and on such terms or such limitations as the Monitor may require to protect the integrity of the SISP, in the Monitor's sole discretion.

32. The Monitor understands that La Plata may consider submitting a credit bid in the SISP or partnering with another interested party to advance a joint bid in the SISP. Among other things, the Monitor intends to post a notice to the VDR should the SISP be approved advising interested parties that La Plata may be interested in partnering or financing a bid in the SISP, and have interested parties contact the Monitor directly to discuss further and facilitate discussions with La Plata on same.

33. The Monitor is of the view the procedures and guardrails created by the Monitor in respect of credit bids, insider bids, and communications amongst Qualified Bidders will protect the fairness, transparency, and integrity of the SISP, and such procedures will allow for a potential credit and/or joint bid involving La Plata while maintaining a competitive process in order to maximize value in the circumstances.

Monitor's View of Proposed SISP

34. The Monitor is of the view that the proposed SISP is the most effective and efficient method for the Companies to realize upon its assets and business operations for the benefit of the creditors and stakeholders, in that:

(a) the SISP Procedures are well defined, transparent and consistent with other Court approved sales processes in Nova Scotia, and are designed to create competitive tension amongst interested parties, including with the possibility of an auction if required;

(b) the proposed SISP is to be administered by the Monitor, a neutral third party and officer of the Court with a duty to all stakeholders, with further oversight from the Court;

(c) the timelines of the proposed SISP take into account the pre-filing informal marketing process undertaken by the Companies, the interested parties derived therefrom, the limited liquidity as demonstrated by the Extended Cash Flow Forecast and the agreement amongst the Companies, the DIP Lender and the Monitor that such a period is sufficient to adequately market the Opportunity;

(d) specific provisions exist in respect of credit bids, insider bids, and communication amongst potential bidders, providing assurance as to the integrity of the process to which offers are derived;

(e) the Monitor understands that La Plata is supportive of the proposed SISP;

(f) the timelines of the proposed SISP allow for sufficient solicitation of the Opportunity to parties previously identified as having an interest, as well as sufficient time for the Monitor to canvass the industry and market for parties who the Monitor otherwise expects may have an interest; and

(g) the proposed SISP provides sufficient latitude for the Monitor to create an environment of competitive tension between bidders, allowing the Monitor up to a week after the Bid Deadline to accept, reject, or request variations to bids from each potential buyer to maximize value for the business.

35. The Monitor is of the view that the proposed SISP is designed to maximize value for the Companies' assets in a process that is fair and reasonable in the circumstances and has been designed by the Monitor to meet the criteria as set out *in Royal Bank of Canada v. Soundair Corp. (1991)*. Prior to advancing any transaction derived from the SISP, the Monitor will file with the Court a report outlining the various factors the Court may consider to approve a transaction as outlined in section 36(3) of the CCAA. The Extended Cash Flow Forecast demonstrates the Companies' will have sufficient liquidity through the duration of the proposed SISP, based on the proposed Interim Financing being approved.

36. The Monitor therefore respectfully recommends approval of the Companies' application of the proposed SISP.

Extended Cash Flow Forecast

37. In the Pre-Filing Report, the Monitor provided its view with regards to the Companies initial cash flow forecast for the period of April 7, 2025 to July 6, 2025. The Companies, with assistance from the Monitor, have prepared the Extended Cash Flow Forecast through July 20, 2025, to cover the period of the proposed extension to the Stay of Proceedings and the proposed SISP. The Monitor notes that, among other things, the Companies' have agreed to provide the Monitor with bi-weekly variance reporting on the Extended Cash Flow Forecast throughout these CCAA Proceedings.

38. The Monitor notes that the first 13 weeks of the Extended Cash Flow Forecast to July 6, 2025 remain unchanged from the cash flow forecast discussed in the First Report. While the Companies will be providing the Monitor with bi-weekly variance reports on the Extended Cash Flow Forecast, given the short time from the date of the Initial Order to the date of this First Report, the initial variance analysis has not been completed. The Monitor will provide to the Court a variance analysis in its next report for any elapsed periods.

39. The purpose of the Extended Cash Flow Forecast is to demonstrate to the Court and the Companies' stakeholders that the Companies have sufficient liquidity to:

    (a) maintain operations and payment obligations to suppliers throughout the proposed extension to the Stay of Proceedings of July 18, 2025;

    (b) maintain payment of the estimated fees of the restructuring professionals, including Monitor, the Monitor's counsel and the Companies' counsel;

    (c) allow for the Monitor to implement and administer the proposed SISP; and

    (d) support the Companies' application for the requested extension of the Stay of Proceedings to July 18, 2025.

40. The Extended Cash Flow Forecast has been prepared by Management using the probable and hypothetical assumptions set out therein (the "**Probable and Hypothetical Assumptions**").

41. The Monitor has reviewed the Extended Cash Flow Forecast to the standard required of a Court-appointed Monitor by section 23(1)(b) of the CCAA. The Monitor's review of the Extended Cash Flow Forecast consisted of inquiries, analytical procedures, and discussions related to information supplied to the Monitor by Management. Since the Probable and Hypothetical Assumptions need not be supported, the Monitor's procedures with respect to same were limited to evaluating whether they were consistent with the purpose of the Extended Cash Flow Forecast and the Monitor's understanding of the business. The Monitor has also reviewed the support provided by the Companies for the Probable and Hypothetical Assumptions and the preparation and presentation of the Extended Cash Flow Forecast.

42. Based on the Monitor's review, nothing has come to its attention that causes it to believe that, in all material respects:

    (a) the Probable and Hypothetical Assumptions are not consistent with the purpose of the Extended Cash Flow Forecast;

    (b) as at the date of this First Report, the Probable and Hypothetical Assumptions developed by Management are not suitably supported and consistent with the Companies' plans or do not provide a reasonable basis for the Extended Cash Flow Forecast, given the Probable and Hypothetical Assumptions; or

    (c) the Extended Cash Flow Forecast does not reflect the Probable and Hypothetical Assumptions.

43. While the Companies expect to generate positive cash flow from operations, the Extended Cash Flow Forecast demonstrates that the Companies will require the proposed Interim Financing in these CCAA Proceedings to fund any potential shortfall in operations as well as the projected restructuring costs over the Extended Cash Flow Period.

44. The Monitor has prepared a summary of the Extended Cash Flow Forecast as follows, noting that the underlying assumptions and notes to the Extended Cash Flow Forecast remain unchanged from the Monitor's Pre-Filing Report, with the addition of more weeks:

Summary of the Extended Cash Flow Forecast For the period of April 7, 2025, to July 20, 2025	
$CAD	**Weeks 1-15**
Operating cash receipts	2,620,481
Operating cash disbursements	(2,639,654)
Cash from operations	**(19.173)**
Restructuring fees	(461,265)
Net cash after restructuring fees	**(480,438)**
Opening cash balance	89,104
DIP financing	500,000
Net use of cash	(480,438)
Ending Cash Balance	**108,666**

45. Since the Extended Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the Probable and Hypothetical Assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no assurance as to whether the Extended Cash Flow Forecast will be achieved. The Monitor expresses no opinion or other form of assurance with respect to the accuracy or completeness of any financial information presented in this First Report or relied upon by the Monitor in preparing this First Report.

46. The Extended Cash Flow Forecast has been prepared solely for the purposes described on the face of the Extended Cash Flow Forecast and readers are cautioned that it may not be appropriate for other purposes.

47. The Extended Cash Flow Forecast indicates that without the proposed DIP Financing, the Companies will not have sufficient liquidity for the Monitor to administer the proposed SISP and for the Companies to continue operations in these CCAA Proceedings.

Extension of the Stay of Proceedings

48. The Companies' application includes an extension of the Stay of Proceedings to July 18, 2025, which is the expected date for seeking Court approval of a transaction or restructuring option derived from the proposed SISP. The Extended Cash Flow Forecast demonstrates that, with the inclusion of the Interim Financing, the Companies project to have sufficient liquidity to maintain operations in the ordinary course during this period and to implement the proposed SISP.

49. The Monitor notes that section 23(1)(d)(ii) of the CCAA requires the Monitor to file a report with the Court no later than 45 days, or any longer period that the Court may specify, after the date on which each of the Companies' fiscal quarters end. As the Monitor understands that the Companies have a December 31 year end (and first fiscal quarter ended on March 31), the Monitor will file a further report at the conclusion of the SISP, should it be approved, and further comply with section 23(1)(d)(ii).

50. The Monitor is of the view that the Companies' requested extension of the Stay of Proceedings to July 18, 2025 is reasonable and does not materially prejudice the Companies' creditors. Should this Honourable Court approve the proposed SISP and Interim Financing Agreement, the Monitor is support of an extension to the Stay of Proceedings.

Key Employee Retention Plan

51. The Monitor has reviewed the Second MacKay Affidavit which includes, amongst other things, details of the proposed KERP. The Monitor understands the proposed KERP is intended to prevent the loss of critical and key employees to the operations of Mernova, the loss of which would prevent the Companies from continuing operations and negatively impact any recovery to creditors and stakeholders. The vesting of the $200,000 payment pursuant to the KERP is tied to meaningful and successful completion of certain restructuring objectives, which are ultimately to the benefit of the Companies' creditors.

52. The Monitor understands the Companies' take the position that the KERP is reasonable and necessary in the circumstances, given that:

(a) the participants in the KERP are critical to daily operations;

(b) the participants of the KERP cannot be easily or practically replaced, and their continued provision of services to the Companies' is of benefit to the Companies' stakeholders and creditors; and

(c) without the KERP, a risk exists that the participants in the KERP will seek alternative employment, to which the Monitor understands such participants are uniquely qualified.

53. The Monitor understands that La Plata as Interim Lender is supportive of the proposed KERP.

54. Financial details regarding the allocation and participants of the KERP is included in the **Confidential Appendix** to this First Report. The Monitor understands the Companies are seeking a sealing order as regards the Confidential Appendix, as the Confidential Appendix contains personal and commercially sensitive information including the details of the participants, payments and the under the KERP.

55. After consultation with the Companies and the Interim Lender, reviewing similar retention plans in other cannabis restructuring proceedings, and comparing the value of the KERP relative to the impact the KERP participants have on the Companies' operations and prospects, the Monitor is of the view that the KERP is (i) commercially reasonable in the circumstances and (ii) allows for the greatest opportunity for success of the SISP for the benefit of the Companies' creditors.

56. The Monitor is therefore supportive of the Companies' request for the KERP, as well as the sealing of the Confidential Appendix in respect of same.

Proposed Court Ordered Charges

57. The Initial Order granted the following charges over the Companies' current and future assets, undertakings and properties, wherever situated, including proceeds thereof (collectively, the "**Property**"):

(a) an Administration Charge up to an aggregate amount of $100,000; and

(b) a D&O Charge up to an aggregate amount of $150,000.

58. The Monitor understands from the Second MacKay Affidavit that the Companies have included within its application for an increase and certain additional charges over the Companies' property, being:

(a) First – an increase to the Administration Charge to $250,000;

(b) Second – an increase to the D&O Charge to $300,000;

(c) Third – a KERP Charge up to $200,000; and

(d) Fourth – an Interim Financing Charge as security for the Companies' obligations pursuant to the Interim Financing Agreement.

Increase to Administration Charge

59. The initial quantum of the Administration Charge was reflective of the work incurred by the professionals covered under the charge up to the date of the Initial Order, as well as the expected work to prepare for the Comeback Hearing. The Monitor understands the Companies' application includes an increase to the Administration Charge to $250,000, reflective of the expected increase in time incurred by the Monitor, its counsel and Companies' counsel to launch the SISP and work towards a restructuring of the Companies' affairs in these CCAA Proceedings.

60. The Monitor understands that the Interim Lender is supportive of the proposed increase to the Administration Charge, and it is supported by the Extended Cash Flow Forecast.

61. For the reasons outlined above and in its the Pre-Filing Report, the Monitor is supportive of the requested increase to the Administration Charge to $250,000.

Increase to D&O Charge

62. The Monitor outlined in the Pre-Filing Report the critical nature of Directors and Officers in advancing these CCAA Proceedings, particularly in respect of Ms. McKay without whom Mernova would not be eligible to hold the licenses from Health Canada issued under the *Cannabis Act* and therefore continue operations in the ordinary course.

63. The Monitor worked with the Companies' and its counsel to estimate the quantum of potential liability that the directors and officers could incur in such capacity during the CCAA Proceedings. The Monitor understands that the Companies' request to increase the D&O Charge to $300,000 is reflective of the potential liabilities, on average, that could be incurred by the directors and officers for one month of operations post-filing, and is therefore reflective of ordinary course operations. The initial request for a D&O Charge of $150,000 was limited to such potential liabilities that could be incurred over two weeks of operations. The Monitor notes that it will be receiving bi-weekly budget to actual updates on the Extended Cash Flow Forecast, and would advise of any material adverse change in these CCAA Proceedings or that may impact the D&O Charge.

64. The Monitor understands that the Interim Lender is supportive of the proposed increase to the D&O Charge.

65. For the reasons outlined above and in its the Pre-Filing Report, the Monitor is supportive of the requested increase to the D&O Charge to $300,000.

KERP Charge

66. The Monitor has outlined above its views and support for the Companies' proposed KERP, which is subject to obtaining a charge in these CCAA Proceedings. The Monitor is of the view that the incentive of the KERP is critical to maximizing value for stakeholders in these CCAA Proceedings, and is therefore supportive of the associated KERP Charge. In the Monitor's view, the quantum of the KERP Charge is reasonable in the circumstances.

67. The Monitor understands that La Plata, as both Interim Lender and a second secured lender, is supportive of the Administration Charge, the D&O Charge and the KERP Charge and their relative priority.

Interim Financing Charge

68. The Companies are requesting approval of the Interim Financing Charge against the Companies' property as security for the obligations pursuant to the Interim Financing Agreement, ranking subordinate to the Administration Charge, D&O Charge and KERP Charge. The Monitor is supportive of the Companies' requested relief, having considered the factors outlined in section 11.2(4) of the CCAA below:

69. ***The period during which the company is expected to be subject to proceedings under this Act;***

(a) The Extended Cash Flow Forecast suggests interim financing is required for the proposed extension to the Stay of Proceedings, inclusive of launching the SISP for the benefit of creditors and stakeholders.

70. ***How the company's business and financial affairs are to be managed during the proceedings;***

(a) The Companies' will continue to operate in the ordinary course, with the assistance of legal counsel and the Monitor to advance potential restructuring option during the extension of the Stay or Proceedings, as well as the proposed SISP.

71. ***Whether the company's management has the confidence of its major creditors;***

(a) The Interim Financing Agreement has been executed by La Plata, which the Monitor understands is also the Companies' second senior secured creditor. The Monitor understands that Briant, the Companies' senior secured creditor, has been supportive of these CCAA Proceedings generally, and is included on the Service List. The Monitor is not aware of any significant creditor that has expressed a loss of confidence in Management.

72. ***Whether the loan would enhance the prospects of a viable compromise or arrangement being made in respect of the company;***

(a) The Companies require interim financing pursuant to the Extended Cash Flow forecast to advance the SISP in these CCAA Proceedings. Without financing pursuant to the Interim Financing Facility, the Monitor understands the Companies will not have sufficient liquidity to continue operations.

73. ***The nature and value of the company's property;***

(a) The nature and value of the Companies' property is described in the Pre-Filing Report and MacKay Affidavit, and includes the Facility and Licenses, which are expected to have collective value significantly above the proposed Interim Financing Facility.

74. ***Whether any creditor would be materially prejudiced as a result of the security or charge;***

(a) In the Monitor's view, the Interim Financing Charge is reasonable and customary, the Interim Financing will not be advanced without it, and the Monitor is not aware of any creditor that would be materially prejudiced because of the security or charge. As noted, La Plata is the Companies' second senior secured creditor and also the Interim Financing Lender, and the funding made available by La Plata under the Interim Financing Agreement will assist to facilitate these CCAA Proceedings to maximize realisation for creditors and increases the likelihood that the business can continue as a going concern, and therefore is in the interest of all stakeholders.

(b) During the hearing on April 16, 2025, the Companies' advised the Court that the charges granted upon the issuance of the Initial Order, being the Administration Charge and the D&O Charge, were not intended to prime or rank in priority to any CRA deemed trust claim, as CRA was not provided notice of that initial hearing. As CRA has been provided notice of the Comeback Hearing, the Monitor understands that the Companies are requesting that any CRA deemed trust claim would now be subordinate to the collective Court ordered charges.

(c) The Monitor is of the view that the priming of any CRA deemed trust claim is commercially reasonable in the circumstances given that the Companies will continue to operate during the proposed SISP and that a sale of, or investment, in the Companies as a going concern is likely to maximize recovery for all creditors, including CRA. The Companies are required to maintain payroll and source deduction remittances to CRA, as well as post-filing HST remittances and excise taxes during these CCAA Proceedings. The Monitor understands that the Companies have sufficient liquidity for these CRA remittances as demonstrated by the Extended Cash Flow Forecast. The Monitor intends to ensure these current remittances are being paid by the Companies through bi-weekly reporting of actual results as compared to the Extended Cash Flow Forecast.

75. ***The monitor's report referred to in paragraph 23(1)(b), if any.***

(a) The Monitor reported on the Extended Cash Flow Forecast above and is of the view that, with the liquidity available under the Interim Financing Facility, the Companies have sufficient liquidity to continue operations in the ordinary course through the requested extension to the Stay of Proceedings.

Good Faith and Due Diligence

76. As at the date of this First Report, the Monitor:

(a) is of the view that the Companies and their stakeholders are acting in good faith and with due diligence, pursuant to section 18.6(1) of the CCAA;

(b) is <u>not</u> of the view that it would be more beneficial to the Companies' creditors if proceedings were taken under the *Bankruptcy and Insolvency Act*, pursuant to section 23(1)(h) of the CCAA; and

(c) is not aware of any issue or condition that could be considered a material adverse change pursuant to s. 23(1)(d) of the CCAA.

Conclusion and Recommendation of the Monitor

77. For the reasons set out in this First Report, the Monitor respectfully recommends that this Honorable Court grant the Companies' requested relief.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 23rd day of April, 2025.

GRANT THORNTON LIMITED, SOLELY IN ITS CAPACITY AS MONITOR OF MERNOVA MEDICINAL INC. AND CRESO CANADA LIMITED AND NOT IN ITS CORPORATE OR PERSONAL CAPACITY

Liam Murphy, CPA, CA, CIRP, LIT
Senior Vice President

Appendix A

Initial Order dated April 16, 2025

2025 Hfx No. 542329

SUPREME COURT OF NOVA SCOTIA

IN THE MATTER OF the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended

AND IN THE MATTER OF an application by Mernova Medicinal Inc. and Creso Canada Limited (collectively, the "**Applicants**") for relief under section 11 of the CCAA and other relief

Initial Order

Sgd.
JPB, J.

Before the Honourable Justice JOHN P. BODURTHA in chambers:

Creso Canada Ltd. and Mernova Medicinal inc. (the "**Applicants**" or the "**Companies**") propose to make a compromise or arrangement under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 as amended (the "**CCAA**") and they applied for an initial order and, now or in the future, other relief under the CCAA as may be sought on notice of motion.

The following parties received notice of this application:

The Service List attached as Schedule "A"

The following parties, represented by the following counsel, made submissions:

Party	**Counsel**
Applicants	**MLT Aikins LLP** 2100 Livingston Place 222 3rd Ave SW Calgary, AB T2P 0B4 **Ryan Zahara** Tel: 403-693-5420 Email: rzahara@mltaikins.com **Chris Nyberg** Tel: 403-693-2636 Email: cnyberg@mltaikins.com - and - **Cox & Palmer LLP** Suite 1500 – 1625 Grafton Street

Halifax, NS B3J 0E8

Gavin MacDonald
Tel: 902-491-4464
Email: gmacdonald@coxandpalmer.com

Proposed Monitor,
Grant Thornton Limited

Stewart McKelvey LLP
600-1741 Lower Water Street
Halifax, NS B3J 0J2

Sara Scott
Tel: 902-420-3363
Email: sscott@stewartmckelvey.com

On motion of the Applicants, the following is ordered and declared:

Service

1. The service of the notice of application in chambers, and the supporting documents, as set out in the affidavit of service is hereby deemed adequate notice so that the motion is properly returnable today and further service thereof is hereby dispensed with.

Application

2. The Companies are affiliated debtor companies within the meaning of the CCAA and are companies to which the CCAA applies.

Plan of Arrangement

3. The Applicants, in consultation with the Monitor, shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (the "**Plan**").

Possession of Property and Operations

4. The Companies shall remain in possession and control of their current and future assets, undertakings, and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further order of this Court, the Companies shall continue to carry on business in a manner consistent with the preservation of their business (the "**Business**") and Property. The Companies shall be authorized and empowered to continue to retain and employ consultants, agents, experts, accountants, counsel, and such other persons (collectively "**Assistants**") and the employees currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order

5. The Companies shall be entitled to continue to utilize the central cash management system currently in place as described in the Affidavit of Micheline Mackay, or replace it with another substantially similar central cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicant of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Companies, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

6. The Companies may pay the following expenses whether incurred prior to or after this Order:

   a. all outstanding and future wages, salaries, employee and pension benefits, vacation pay, and expenses payable to employees who continue to provide service on or after the date of this Order ("**Active Employees**"), in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and

   b. all existing and future employee health, dental, life insurance, short and long term disability and related benefits (collectively, the "**Group Benefits**") payable on or after the date of this Order to Active Employees, in each case incurred in the ordinary course of business and consistent with existing policies and arrangements or such amended policies and arrangements as are necessary or desirable to deliver the existing Group Benefits;

   c. with prior written approval of the Monitor, the fees and disbursements for any Assistants retained or employed by the Companies in respect of these proceedings, at their reasonable standard rates and charges.

7. Except as otherwise provided to the contrary herein, with the consent of the Monitor, the Companies may pay all reasonable expenses incurred by the Companies in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

   a. all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance including directors and officers insurance, maintenance, and security services; and

   b. payment for goods or services actually supplied to the Companies following the date of this Order.

8. With the consent of the Monitor, the Companies may make payments owing to suppliers, contractors, subcontractors and other creditors in respect of amounts owning prior to the date of this Order where such payments are deemed by the Applicant to be necessary for the ongoing operation of the Applicant or the preservation of the Property, up to an aggregate limit of **$65,000.**

9. The Companies shall remit or pay, in accordance with legal requirements or on terms as may be agreed to between the Companies and the applicable authority:

    a. any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of: (i) employment insurance, (ii) Canada Pension Plan and (iii) income taxes;

    b. all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Companies in connection with the sale of goods and services by the Companies, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order; and

    c. any amount payable to the Crown in right of Canada or of any Province or any regulatory or administrative body or any other authority, in all cases in respect of municipal realty, municipal business, or other taxes, assessments or levies of any nature or kind which are: (i) entitled at law to be paid in priority to claims of secured creditors; (ii) attributable to or in respect of the ongoing Business carried on by the Companies; and (iii) payable in respect of the period commencing on or after the date of this Order.

10. Until such time as the Companies disclaim a real property lease in accordance with the CCAA, the Companies shall pay all amounts constituting rent or payable as rent under real property leases, including, for greater certainty, common area maintenance charges, utilities and realty taxes, and any other amounts payable to the landlord under the lease, or as otherwise may be negotiated between the Companies and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, in accordance with its existing lease agreements. On the date of the first of such payments, any arrears relating to the period commencing from and including the date of this Order shall also be paid.

11. Except as specifically permitted herein or by further order of this Court, the Companies are hereby directed, until further order of this Court: (i) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Companies to any of their creditors as of this date without prior written consent of the Monitor; (ii) to grant no security interests, trusts, liens, charges, or encumbrances upon or in respect

of any of their Property; and (iii) to not grant credit or incur liabilities except in the ordinary course of the Business or with the prior written approval of the Monitor.

Restructuring

12. The Companies shall, subject to such requirements as are imposed by the Monitor and under any agreements for debtor in possession financing which may be granted, have the right to:

   a. permanently or temporarily cease, downsize or shut down any of their business or operations,

   b. terminate the employment of such of their employees or temporarily lay off such of their employees as it deems appropriate and, as applicable, in accordance with the terms of any collective agreement;

   c. pursue all avenues of refinancing of the Business or Property, in whole or part, subject to prior approval of this Court being obtained before any refinancing; and

   d. in accordance with the ordinary course of business, dispose of redundant or nonmaterial assets not exceeding $100,000 in value.

No Proceedings Against the Companies or the Property

13. Until and including the 25th day of April, 2025, or such later date as this Court may order (the "**Stay Period**"), no claim, grievance, application, action, suit, right or remedy, or proceeding or enforcement process in any court, tribunal, or arbitration association (each, a "**Proceeding**") shall be commenced, continued, or enforced against or in respect of any of the Companies or the Monitor, or affecting the Business or the Property, except with the written consent of the Companies, and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Companies or affecting the Business or the Property are hereby stayed and suspended pending further order of this Court.

No Exercise of Rights or Remedies

14. During the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Companies or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Companies and the Monitor, or leave of this Court, provided that nothing in this Order shall: (i) empower the Companies to carry on any business which the Companies are not lawfully entitled to carry on; (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by section 11.1 of the CCAA; (iii) exempt the Companies from compliance with statutory or regulatory provisions relating to health, safety, or the environment; (iv) prevent the filing of any registration to preserve or perfect a security interest; or (v) prevent the registration of a claim for lien and the related filing of an action to preserve

the right of a lien holder, provided that the Companies shall not be required to file a defence during the Stay Period.

No Interference with Rights

15. During the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate, or cease to perform any right, renewal right, contract, agreement, licence, or permit in favour of or held by the Companies, including but not limited to renewal rights in respect of existing insurance policies on the same terms, except with the written consent of the Companies, and the Monitor, or leave of this Court.

Continuation of Services

16. During the Stay Period, all Persons having oral or written agreements with the Companies or statutory or regulatory mandates for the supply of goods or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility, or other services to the Business or the Companies, are hereby restrained until further order of this Court from discontinuing, altering, interfering with, or terminating the supply of such goods or services as may be required by the Companies, and the Companies shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses, and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Companies in accordance with normal payment practices of the Companies or such other practices as may be agreed upon by the supplier or service provider and each of the Companies, and the Monitor, or as may be ordered by this Court.

Non-Derogation of Rights

17. Notwithstanding anything else contained herein, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or licensed property, or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Companies.

Proceedings Against Directors and Officers

18. During the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current, or future directors or officers of the Companies with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Companies whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Companies, if one is filed, is sanctioned by this Court or is refused by the creditors of the Companies or this

Court, these Proceedings are dismissed by final order of this Court, or with leave of this Court.

Appointment of Monitor

19. Grant Thornton Limited is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the Business and financial affairs of the Companies, the Property, and the Companies' conduct of the Business with the powers and obligations set out in the CCAA or set forth herein and the Companies and their shareholders, officers, directors, employees and assistants and shall advise the Monitor of all material steps taken by the Applicant pursuant to this Order, cooperate fully with the Monitor in the exercise of its powers and discharge of its obligations, and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

20. The Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

a. monitor the Companies' receipts and disbursements;

b. report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, the activities of the Companies, and such other matters as may be relevant to the proceedings herein;

c. advise the Companies in their development of any plan and any amendments to such plan, and, to the extent deemed appropriate by the Monitor, assist in its negotiations with creditors, customers, vendors, and other interested Persons;

d. assist the Companies, to the extent deemed appropriate by the Monitor, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;

e. have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents and to the Business of the Companies, to the extent that is necessary to adequately assess the Companies' Business and financial affairs or to perform its duties arising under this Order;

f. be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order, including any affiliate of, or person related to the Monitor;

g. develop a claims process to ascertain the quantum of the claims of all creditors;

h. prepare and supervise a sales process of the assets of the Companies, subject to further Court approval; and

i. be at liberty to perform such other duties as are required by this Order or by this Court from time to time.

21. The Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

22. Nothing herein contained shall limit the protections afforded the Monitor at law including those protections set out in the CCAA.

23. The Monitor shall provide any creditor of the Companies or a potential debtor-in-possession lender ("**DIP Lender**") with information provided by the Companies in response to reasonable requests for information made in writing by such creditor or a DIP Lender addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Companies is confidential, the Monitor shall not provide such information to creditors or a DIP Lender unless otherwise directed by this Court or on such terms as the Monitor, and the Companies may agree.

24. The Monitor, counsel to the Monitor, counsel to the Applicants shall be paid their reasonable fees and disbursements, in each case not to exceed their standard rates and charges, by the Companies as part of the costs of these proceedings. The Companies are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor, counsel for the Applicants on a monthly basis.

25. The Monitor and its legal counsel shall pass their accounts from time to time before a judge of this court or a referee appointed by a judge.

Administrative Charge

26. The Monitor, the Monitor's counsel, and the Applicants' counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Companies' Property, which absent further order from this Court such charge shall not exceed an aggregate amount of $100,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraph 31 herein.

D&O Charge

27. The Companies shall indemnify their current directors and officers (the "**Current Directors and Officers**") against obligations and liabilities that they may incur as directors or officers of the Companies after the commencement of the within proceedings, except that to the extant that with respect to any officer or director, the obligation or liability was incurred as a result of such directors or officers' gross negligence or wilful misconduct.

28. The Current Directors and Officers of the Companies shall be entitled to the benefit of and are hereby granted a charge (the "**D&O Charge**") on the Companies' Property, which absent further order from this Court such charge shall not exceed an aggregate amount of $150,000, as security for the indemnity provided in paragraph 27. The D&O Charge shall have the priority set out in paragraph 31 herein.

29. Notwithstanding any language in any applicable insurance policy to the contrary, (i) no insurer shall be entitled to be subrogated to or claim the benefit of the D&O Charge, and (ii) the Current Directors and Officers shall only be entitled to the benefit of the D&O Charge to the extent that they do not have coverage under any directors' or officers' insurance policy, or to the extent such coverage is insufficient to pay amounts indemnified in accordance with paragraph 28 of this Order.

Validity And Priority of the Charges Created by This Order

30. The filing, registration or perfection of the Administration Charge and the D&O Charge (collectively, the "**Charges**") shall not be required and the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

31. The priorities of the Charges, as among them, with respect to the Property shall be as follows:

    a. First - Administration Charge (to the maximum amount of $100,000):

    b. Second - D&O Charge to the maximum amount of $150,000).

32. The Charges shall constitute a charge on the Property and shall rank in priority to claims of all secured creditors, including for certainty, Canada Revenue Agency, Briant Nominees Pty Ltd. , and La Plata Capital, LLC, and shall rank in priority to any other interests, trusts, liens, charges, and encumbrances and claims, statutory or otherwise, in favour of any Person other than those parties with equipment financing liens or leases who finance or lease equipment to the Companies in their ordinary course of business and who have not received notice of this Application.

33. The Companies and beneficiaries of the Charges shall be entitled, upon giving notice to parties likely affected, to seek an order changing the amount of the Charges or providing the Charges shall rank in priority to other parties not named in paragraph 32.

34. Except as otherwise expressly provided for herein, or as may be approved by this Court, the Companies shall not grant any encumbrance over any Property that ranks in priority to, or *pari passu* with the Charges unless the Companies also obtain the prior written consent of the beneficiaries of the Charges, or further order of this Court.

35. The Charges shall not be rendered invalid or unenforceable and the rights and remedies of the beneficiaries of the Charges shall not otherwise be limited or impaired in any way by: (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application for a bankruptcy order issued pursuant to the BIA, or any

bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; or (d) any negative covenants, prohibitions, or other similar provisions with respect to borrowings, incurring debt or the creation of encumbrances, contained in any existing loan documents, lease, sublease, offer to lease, or other agreement (collectively, an "**Agreement**") which binds the Companies, and notwithstanding any provision to the contrary in any Agreement:

a. the creation of the Charges shall not create or be deemed to constitute a breach by the Companies of any Agreement to which they are party;

b. none of the beneficiaries of the Charges shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Companies seeking the creation of the Charges; and

c. the payments made by the Companies pursuant to this Order do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

Service and Notice

36. The Monitor shall: (i) without delay, publish in AllNovaScotia.com a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Companies of more than $1,000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with section 23(1)(a) of the CCAA and the regulations made thereunder.

37. The Companies, and the Monitor may give notice of this Order, any other materials and orders in these proceedings, and any notices, and provide correspondence, by forwarding originals or true copies by prepaid ordinary mail, courier, personal delivery, or electronic transmission (including email) to the Companies' creditors or other interested parties at their respective addresses as last shown on the records of the Companies and any such notice by courier, personal delivery, or electronic transmission (including email) shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

38. The Companies and the Monitor, and any party who has filed a demand of notice may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsel's e-mail addresses as recorded on the service list from time to time, and the Monitor may post a copy of any or all such materials on its website at www.DoaneGrantThornton.ca/Mernova.

General

39. The Companies, and the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

40. Nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, construction lien trustee, or a trustee in bankruptcy of the Companies, the Business or the Property.

41. The aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction outside Nova Scotia, is requested to give effect to this Order and to assist the Companies, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, and regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Companies, and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Companies, and the Monitor and their respective agents in carrying out the terms of this Order.

42. Each of the Companies, and the Monitor may apply to any court, tribunal, or regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and the Monitor may act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

43. Any interested party, including the Companies, and the Monitor, may apply to this Court to vary or amend this Order on such notice required under the *Civil Procedure Rules* or as this Court may order.

44. This Order and all of its provisions are effective as of 12:00 am (Atlantic Standard Time) on the 16th day of April 2025.

Issued this 16 day of April 2025

~~Prothonotary~~

MYRA JANES
Deputy Prothonotary

IN THE SUPREME COURT
COUNTY OF HALIFAX, N.S.
I hereby certify that the foregoing document, identified by the seal of the court, is a true copy of the original document on the file herein.

APR 16 2025

Deputy Prothonotary

MYRA JA...
Deputy Pro...

~~10040480/00006/1408-7006-1589v5~~10040480/00006/1408-7006-1589v6

Appendix B

Advertisement- AllNovaScotia

In the matter of the Companies' Creditors Arrangement Act ("CCAA"):

Mernova Medicinal Inc. and Creso Canada Limited ("Mernova Group")

PLEASE TAKE NOTICE:

- On April 16, 2025 the Supreme Court of Nova Scotia in Bankruptcy and Insolvency granted an initial order under the CCAA in favor of the Mernova Group.
- Grant Thornton Limited was appointed as Monitor in the CCAA proceedings, HFX No. 542329.
- Additional information is available on the Monitor's website at: www.DoaneGrantThornton.ca/Mernova

Grant Thornton Limited
E Mernova@Doane.GT.ca
T +1 902 491 7704

Doane Grant Thornton

Appendix C

Notice to Creditors and Affidavit of Mailing

District of: Nova Scotia
Division No. 01 – Halifax
Court No. 542329

IN THE MATTER OF THE
***COMPANIES' CREDITORS ARRANGEMENT ACT* PROCEEDINGS OF**

MERNOVA MEDICINAL INC. AND CRESO CANADA LTD.

AFFIDAVIT OF SERVICE

I, Faith Capone, of the Licensed Insolvency Trustee's office, Grant Thornton Limited (the "**Monitor**"), hereby make oath and say:

THAT on April 18, 2025, I did cause to be sent a notice of proceedings (the "**Notice**") pursuant to s. 23(1)(a) of the *Companies' Creditors Arrangement Act* R.S.C., 1985, c. C-36, as amended (the "**CCAA**"), to the known creditors of Mernova Medicinal Inc. and Creso Canada Ltd. (the "**Companies**") with amounts owing in excess of $1,000 pursuant to s. 23(1)(a)(ii)(B) of the CCAA, a copy of which is attached hereto as **Exhibit "A"**;

THAT the Notice to creditors of the Companies with amounts owing in excess of $1,000 received service by way of ordinary mail based on the Companies' books and records, as detailed in **Exhibit "B"**;

THAT the Monitor has provided service by way of ordinary mail pursuant to s. 6(1) of the *Bankruptcy and Insolvency General Rules*:

> **6 (1)** *Unless otherwise provided in the Act or these Rules, every notice or other document given or sent pursuant to the Act or these Rules must be served, delivered personally, or sent by mail, courier, facsimile or electronic transmission.*

SWORN TO at the City of Halifax
in the Province of Nova Scotia
this 23 day of April 2025

A Commissioner of the
Supreme Court of Nova Scotia

Faith Capone

Corey Hines
A Commissioner of the
Supreme Court of Nova Scotia
Expiry: October 13, 2026

Exhibit "A"

Notice of CCAA Proceedings

Doane
Grant Thornton

April 17, 2025 **Court No. 542329**

NOTICE TO CREDITORS

Mernova Medicinal Inc. and Creso Canada Ltd

In the Matter of an Application Pursuant to the
Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36 as amended

TAKE NOTICE that on April 16, 2025 Creso Canada Ltd. and Mernova Medicinal Inc. (the "**Companies**") made an application for creditor protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 as amended ("**CCAA**") and an order (the "**Initial Order**") was granted by the Honourable Justice Bodurtha of the Supreme Court of Nova Scotia in Bankruptcy and Insolvency (the "**Court**"). Pursuant to the Initial Order, Grant Thornton Limited, a Licensed Insolvency Trustee, was appointed by the Court as monitor (the "**Monitor**") of the CCAA proceedings. In accordance with s. 23(1)(a) of the CCAA and the Initial Order, the Monitor has established a case management website: www.DoaneGrantThornton.ca/Mernova (the "**Case Website**").

A copy of the Initial Order, a list of creditors, materials filed by the Companies and other stakeholders, as well as the Monitor's reports to the Court are available on the Case Website. Creditors and stakeholders are encouraged to review the material available on the Case Website, which will be continually updated throughout the CCAA proceedings.

Stay of Proceedings

The Initial Order grants the Companies various relief, including but not limited to, imposing an initial stay of proceedings against the Companies and its assets up to and including April 25, 2025 (the "**Stay Period**"), which may be extended by Court order throughout these CCAA proceedings. **The Companies will be seeking an extension of the Stay Period at a hearing scheduled for April 25, 2025** with the intention of providing the Companies an opportunity to develop a restructuring plan for the benefit of its stakeholders. Pursuant to the Initial Order, the Companies are to remain in possession and control of their property and continue to carry on business in the ordinary course in a manner that is commercially reasonable, and which preserves the business and assets.

During the Stay Period, all parties are prohibited from commencing, enforcing or continuing legal action against the Companies or its property and all rights and remedies of any party against or in respect of the Companies or its property are stayed and suspended, except with the written consent of the Monitor and the Companies, or with leave of the Court.

Continuation of Services

Please be advised that the Initial Order prohibits the termination or alteration of, amongst other things, contracts, agreements, licenses, permits or services provided to the Companies during the Stay Period. All persons having agreements regarding the supply of goods or services are restrained until further order of the Court from discontinuing, altering, interfering or terminating the supply of goods or services as may be requested by the Companies, provided that the Companies pay for such goods or services incurred or purchased after the Initial Order. Please contact either the Monitor or the Companies to discuss any concerns regarding future services being provided.

As of the date of this notice, the Court has not granted a claims procedure. Creditors are not required to file a proof of claim with the Monitor at this time.

MONITOR'S CONTACT INFORMATION

Contact information for the Monitor and its representative can be found below:

Grant Thornton Limited
1000-1675 Grafton Street, Halifax, NS B3J 0E9
Attention: Corey Hines

T: 902.491.7704
E: Mernova@Doane.gt.ca
W: www.DoaneGrantThornton.ca/Mernova

Sincerely,

GRANT THORNTON LIMITED
in its capacity as Monitor in the CCAA proceedings of
Creso Canada Ltd. and Mernova Medicinal Inc.
and not in its personal or corporate capacity

Liam Murphy, CPA, CA, CIRP, LIT
Senior Vice President

Exhibit "B"

Listing of Known Creditors Provided Service via Ordinary Mail

In the Matter of the Companies' Creditors Arrangement Act Proceedings of
Mernova Medicinal Inc. and Creso Canada Ltd.
Creditors Provided Service by Ordinary Mail - April 18, 2025

Creditor	Address	City	Province	Postal Code	Country
Atlantica Mechanical Contractors Inc.	9 Ralston Avenue	Dartmouth	NS	B3B 1H5	Canada
Cahill Technical Services	2 Southern Cross Road	Mount Pearl	NL	A1N 5H4	Canada
Cox and Palmer	Nova Centre, South Tower 1500, 1625 Grafton St	Halifax	NS	B3J 0E8	Canada
Digital n Genuity	30 Frazee Avenue	Dartmouth	NS	B3B 1X4	Canada
EFR Enviromental	15 Freeman Street	Middleton	NS	B0S 1P0	Canada
EPAC Flexiable Packaging	209 Brunel Road	Mississauga	ON	L4Z 1X3	Canada
Eastlink	5690 Spring Garden Road	Halifax	NS	B3J 1H5	Canada
Health Canada	1917-1505 Barrington Street	Halifax	NS	B3J 3Y6	Canada
Linde Canada Inc.	PO Box 400, STN D	Scarborough	ON	M1R 5M1	Canada
MNP LLP	200-100 Venture Run	Dartmouth	NS	B3B 0H9	Canada
Manewagi	128 Brook Street	Fletchers Lake	NS	B2T 1A5	Canada
Mary Jane Cones	157-701 Adelaide Street West	Toronto	ON	M5H 4E7	Canada
Momentum Freight Inc.	55 St. Clair Avenue West, Suite 210	Toronto	ON	M4V 2Y7	Canada
NS Power	1223 Lower Water Street	Halifax	NS	B3J 3S8	Canada
Pathogenia	710 Avenue Lajoie	Dorval	QC	H9P 1G8	Canada
Purolator	1809 Barrington Street	Halifax	NS	B3J 3K8	Canada
Uline Canada Corporation	Box 3500, RPO Streetsville	Mississauga	ON	L5M 0S8	Canada
West Hants Regional Municipality	76 Morison Drive	Windsor	NS	B0N 2T0	Canada

District of: Nova Scotia
Division No. 01 – Halifax
Court No. 542329

IN THE MATTER OF THE
***COMPANIES' CREDITORS ARRANGEMENT ACT* PROCEEDINGS OF**

MERNOVA MEDICINAL INC. AND CRESO CANADA LTD.

AFFIDAVIT OF SERVICE

I, Corey Hines, of the Licensed Insolvency Trustee's office, Grant Thornton Limited (the "**Monitor**"), hereby make oath and say:

THAT on April 21, 2025, I did cause to be sent a notice of proceedings (the "**Notice**") pursuant to s. 23(1)(a) of the *Companies' Creditors Arrangement Act* R.S.C., 1985, c. C-36, as amended (the "**CCAA**"), to the known creditors of Mernova Medicinal Inc. and Creso Canada Ltd. (the "**Companies**") with amounts owing in excess of $1,000 pursuant to s. 23(1)(a)(ii)(B) of the CCAA, a copy of which is attached hereto as **Exhibit "A"**;

THAT the Notice to creditors of the Companies with amounts owing in excess of $1,000 received service by way of either ordinary mail or email based on the Companies' books and records, as detailed in **Exhibit "B"**;

THAT the Monitor has provided service by way of ordinary mail pursuant to s. 6(1) of the *Bankruptcy and Insolvency General Rules*:

> **6 (1)** *Unless otherwise provided in the Act or these Rules, every notice or other document given or sent pursuant to the Act or these Rules must be served, delivered personally, or sent by mail, courier, facsimile or electronic transmission.*

THAT a copy of the service provided by way of email is attached hereto as **Exhibit "C"**;

SWORN TO at the City of Halifax
in the Province of Nova Scotia
this 23 day of April 2025

A Commissioner of the
Supreme Court of Nova Scotia

Corey Hines

Allan R. MacDonald
A Commissioner of the
Supreme Court of Nova Scotia
Expiry: June 22nd, 2027

Exhibit “A”

Notice of CCAA Proceedings

Doane
Grant Thornton

April 17, 2025 **Court No. 542329**

NOTICE TO CREDITORS

Mernova Medicinal Inc. and Creso Canada Ltd

In the Matter of an Application Pursuant to the
Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36 as amended

TAKE NOTICE that on April 16, 2025 Creso Canada Ltd. and Mernova Medicinal Inc. (the "**Companies**") made an application for creditor protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 as amended ("**CCAA**") and an order (the "**Initial Order**") was granted by the Honourable Justice Bodurtha of the Supreme Court of Nova Scotia in Bankruptcy and Insolvency (the "**Court**"). Pursuant to the Initial Order, Grant Thornton Limited, a Licensed Insolvency Trustee, was appointed by the Court as monitor (the "**Monitor**") of the CCAA proceedings. In accordance with s. 23(1)(a) of the CCAA and the Initial Order, the Monitor has established a case management website: www.DoaneGrantThornton.ca/Mernova (the "**Case Website**").

A copy of the Initial Order, a list of creditors, materials filed by the Companies and other stakeholders, as well as the Monitor's reports to the Court are available on the Case Website. Creditors and stakeholders are encouraged to review the material available on the Case Website, which will be continually updated throughout the CCAA proceedings.

Stay of Proceedings

The Initial Order grants the Companies various relief, including but not limited to, imposing an initial stay of proceedings against the Companies and its assets up to and including April 25, 2025 (the "**Stay Period**"), which may be extended by Court order throughout these CCAA proceedings. **The Companies will be seeking an extension of the Stay Period at a hearing scheduled for April 25, 2025** with the intention of providing the Companies an opportunity to develop a restructuring plan for the benefit of its stakeholders. Pursuant to the Initial Order, the Companies are to remain in possession and control of their property and continue to carry on business in the ordinary course in a manner that is commercially reasonable, and which preserves the business and assets.

During the Stay Period, all parties are prohibited from commencing, enforcing or continuing legal action against the Companies or its property and all rights and remedies of any party against or in respect of the Companies or its property are stayed and suspended, except with the written consent of the Monitor and the Companies, or with leave of the Court.

Continuation of Services

Please be advised that the Initial Order prohibits the termination or alteration of, amongst other things, contracts, agreements, licenses, permits or services provided to the Companies during the Stay Period. All persons having agreements regarding the supply of goods or services are restrained until further order of the Court from discontinuing, altering, interfering or terminating the supply of goods or services as may be requested by the Companies, provided that the Companies pay for such goods or services incurred or purchased after the Initial Order. Please contact either the Monitor or the Companies to discuss any concerns regarding future services being provided.

As of the date of this notice, the Court has not granted a claims procedure. Creditors are not required to file a proof of claim with the Monitor at this time.

MONITOR'S CONTACT INFORMATION

Contact information for the Monitor and its representative can be found below:

Grant Thornton Limited
1000-1675 Grafton Street, Halifax, NS B3J 0E9
Attention: Corey Hines

T: 902.491.7704
E: Mernova@Doane.gt.ca
W: www.DoaneGrantThornton.ca/Mernova

Sincerely,

GRANT THORNTON LIMITED
in its capacity as Monitor in the CCAA proceedings of
Creso Canada Ltd. and Mernova Medicinal Inc.
and not in its personal or corporate capacity

Liam Murphy, CPA, CA, CIRP, LIT
Senior Vice President

Exhibit "B"

Listing of Known Creditors Provided Service via either Ordinary Mail or Email

In the Matter of the Companies' Creditors Arrangement Act Proceedings of
Mernova Medicinal Inc. and Creso Canada Ltd.
Creditors Provided Service by Ordinary Mail - April 21, 2025

Creditor	Address	City	Province	Postal Code	Country
Culture des Sommets	60 rue Brissette	Sainte-Agathe-des-Monts	QC	J8C 3S4	Canada
Great North Distributors	3250 Bloor St. West, East Tower, Suite 901	Toronto	ON	M8X 2X9	Canada
Motif	7C-516 John Street North	Aylmer	ON	N5H 2B8	Canada

Creditor	Email
Noble House Consulting Ltd.	will@noblehousecap.com

Exhibit "C"

Notice Sent by Email

Outlook

Mernova Medicinal Inc. and Creso Canada Ltd. - CCAA Proceedings Initial Order

From Mernova <Mernova@doane.gt.ca>
Date Mon 4/21/2025 4:12 PM
To Mernova <Mernova@doane.gt.ca>
Cc Hines, Corey <Corey.Hines@doane.gt.ca>
Bcc will@noblehousecap.com <will@noblehousecap.com>

2 attachments (513 KB)
Mernova - CCAA Notice to Creditors- April 17,2025.pdf; Mernova- CCAA Initial Order- 04.16.25.pdf;

To the creditors of Mernova Medicinal Inc. and Creso Canada Ltd.

Please be advised that Mernova Medicinal Inc. and Creso Canada Ltd (together, the "**Companies**") made an application to the Supreme Court of Nova Scotia in Bankruptcy and Insolvency (the "**Court**") for creditor protection under the *Companies' Creditors Arrangement Act* ("**CCAA**"). The Court issued an Initial Order providing for, amongst other things, a stay of proceedings to April 25, 2025 and for the appointment of Grant Thornton Limited as monitor (the "**Monitor**").

Please find attached a notice of these CCAA proceedings and a copy of the Initial Order.

The Court has scheduled a comeback hearing on April 25, 2025 and the Companies' intend to ask for additional relief, including an extension of the stay of proceedings. Further information regarding these CCAA proceedings and the Companies' application materials can be found on the Monitor's case management website: www.DoaneGrantThornton.ca/Mernova.

Regards,

Corey Hines, CPA, CIRP, LIT | Manager, Restructuring
Grant Thornton Limited
1000 - 1675 Grafton St | Halifax | NS B3J 0E9
T +1 902 491 7704 | **C** +1 902 399 6319
E Corey.Hines@doane.gt.ca | **W** DoaneGrantThornton.ca

Doane Grant Thornton

Appendix D

Creditors Listing

Mernova Medicinal Inc. and Creso Canada Limited- in CCAA

Internal Creditor Listing as at April 16, 2025

Trade Creditors	$CAD
Atlantica Mechanical Contractors Inc.	3,262
Cahill Technical Services	1,314
Cox and Palmer	742
Canada Emergency Benefit Loan	37,830
Culture des Sommets	65,957
Digital n Genuity	2,494
EFRenviromental	3,065
EPAC	24,323
Eastlink	1,039
GS1 Canada	435
Great North Distributors	116,407
GrowHaus Supply	670
Health Canada	24,911
Koppert Canada Limited	579
Linde Canada Inc.	4,427
MNP LLP	133,443
Manewagi	12,075
Mary Jane Cones	39,317
Momentum Freight Inc.	3,355
Motif	12,506
NS Power	62,181
Napa Auto Parts	109
Noble House Consulting Ltd.	11,300
Pathogenia	1,701
Purolator	1,365
Receiver General - Excise	1,506,615
Receiver General - GST	342,372
Shred-it	185
SuperPass	153
Uline Canada Corporation	6,378
West Hants Regional Municipality	60,906
Trade Creditors- Total	**2,481,416**

Secured Creditors	$CAD
Briant Nominees Pty Ltd.	2,915,442
La Plata Capital LLC	6,639,087
Secured Creditors- Total	**9,554,529**

Melodiol Group Creditors	$CAD
Creso Canada Corp Ltd.	16,654,241

Total Creditors	**28,690,186**

Appendix E

Correspondence to CRA re CCAA Proceedings

Murphy, Liam

From: Frappier K.C., Deanna (she her elle la) <Deanna.Frappier@justice.gc.ca>
Sent: April 17, 2025 3:47 PM
To: Murphy, Liam; Baird, Maeve (she her elle)
Cc: Sara Scott; David Wedlake - Stewart McKelvey (dwedlake@stewartmckelvey.com); Hines, Corey; Chris Nyberg; Ryan Zahara; Gavin MacDonald (Halifax) (GMacDonald@coxandpalmer.com); Kells, Meaghan (Halifax)
Subject: RE: Mernova Group- in CCAA

Liam:

Thank you for the information. We have reached out to CRA for instructions.

...Deanna

Deanna Frappier, K.C.

Counsel
Atlantic Regional Office
Suite 1400, Duke Tower
5251 Duke Street
Halifax, Nova Scotia B3J 1P3
National Litigation Sector
Department of Justice Canada
Government of Canada

deanna.frappier@justice.gc.ca
Tel: 782-409-0068

Deanna Frappier, K.C.

Avocate
Bureau régional de l’Atlantique
pièce 1400, tour Duke
5251 rue Duke
Halifax (Nouvelle-Écosse) B3J 1P3
Secteur national du contentieux
Ministère de la Justice Canada
Gouvernement du Canada

deanna.frappier@justice.gc.ca
tél : 782-409-0068

From: Murphy, Liam <Liam.Murphy@doane.gt.ca>
Sent: Thursday, April 17, 2025 3:34 PM
To: Baird, Maeve (she her elle) <Maeve.Baird@justice.gc.ca>; Frappier K.C., Deanna (she her elle la) <Deanna.Frappier@justice.gc.ca>

Cc: Sara Scott <sscott@stewartmckelvey.com>; David Wedlake - Stewart McKelvey (dwedlake@stewartmckelvey.com) <dwedlake@stewartmckelvey.com>; Hines, Corey <Corey.Hines@doane.gt.ca>; Chris Nyberg <cnyberg@mltaikins.com>; Ryan Zahara <RZahara@mltaikins.com>; Gavin MacDonald (Halifax) (GMacDonald@coxandpalmer.com) <gmacdonald@coxandpalmer.com>; Kells, Meaghan (Halifax) <mkells@coxandpalmer.com>
Subject: Mernova Group- in CCAA

EXTERNAL EMAIL – USE CAUTION / COURRIEL EXTERNE – FAITES PREUVE DE PRUDENCE
Hi Maeve, Deanna

Hope you're doing well.

Pursuant to an order ("**Initial Order**") of the Supreme Court of Nova Scotia in Bankruptcy and Insolvency (the "**Court**") on April 16, 2025, Grant Thornton Limited was appointed as monitor ("**Monitor**") in proceedings under the Companies' Creditors Arrangement Act (the "**CCAA**") of Mernova Medicinal Inc. and Creso Canada Limited ("**Mernova Group**"). The Monitor understands that CRA is a creditor of the Mernova Group.

The Initial Order (attached) includes, amongst other things, a stay of proceedings as against the Mernova Group and its property until April 26, 2025 (the "**Stay Period**"), which may be extended by further order of the Court. The Mernova Group will be seeking an extension of the stay of proceedings and further relief at the Comeback Hearing scheduled for **April 25, 2025** at 9:30am with Justice Bodurtha. The Monitor understands you have been added to the service list in respect of same.

While the Monitor is in the process of notifying all creditors pursuant to section 23(1)(B) of the CCAA, given the Comeback Hearing is next Friday and there is a long weekend in between, we wanted to ensure you were notified via e-mail as well. If there is a different party to whom the Monitor should direct this notice, or if you have any questions, please let us know.

Thanks,
Liam

Liam Murphy, CPA, CA, CIRP, LIT | Partner
Grant Thornton Limited
1675 Grafton St | Halifax | NS B3J 0E9
T +1 902 429 5435
E Liam.Murphy@doane.gt.ca | **W** DoaneGrantThornton.ca

Appendix F

Extended Cash Flow Forecast

Mernova Medicinal Inc. and Creso Canada Limited
13-Week Cash Flow Forecast - Prepared by Management
April 7, 2025 to July 6, 2025

	Notes	Week 1 Projected 7-Apr-25 13-Apr-25	Week 2 Projected 14-Apr-25 20-Apr-25	Week 3 Projected 21-Apr-25 27-Apr-25	Week 4 Projected 28-Apr-25 4-May-25	Week 5 Projected 5-May-25 11-May-25	Week 6 Projected 12-May-25 18-May-25	Week 7 Projected 19-May-25 25-May-25	Week 8 Projected 26-May-25 1-Jun-25	Week 9 Projected 2-Jun-25 8-Jun-25	Week 10 Projected 9-Jun-25 15-Jun-25	Week 11 Projected 16-Jun-25 22-Jun-25	Week 12 Projected 23-Jun-25 29-Jun-25	Week 13 Projected 30-Jun-25 6-Jul-25	Week 14 Projected 7-Jul-25 13-Jul-25	Week 15 Projected 14-Jul-25 20-Jul-25	Total Weeks 1-15 7-Apr-25 20-Jul-25
Projected Receipts:																	
Cannabis revenues	[1]	177,690	298,972	136,680	198,829	189,964	157,695	276,025	104,220	175,250	130,250	220,250	106,025	143,864	183,357	121,411	2,620,481
Total Projected Receipts		**177,690**	**298,972**	**136,680**	**198,829**	**189,964**	**157,695**	**276,025**	**104,220**	**175,250**	**130,250**	**220,250**	**106,025**	**143,864**	**183,357**	**121,411**	**2,620,481**
Projected Disbursements:																	
Payroll and employee benefits	[2]	-	102,500	-	111,626	-	104,120	-	110,006	-	102,500	-	102,500	-	102,500	–	735,752
Insurance	[3]	14,250	-	12,918	-	-	-	12,918	-	-	-	12,918	-	-	4,000	–	57,005
Software		-	-	-	2,964	-	-	-	2,964	-	-	-	-	2,964	–	–	8,892
Utilities		45,738	35,000	35,000	-	-	35,000	35,000	-	-	-	35,000	35,000	-	–	–	255,738
Excise stamps		-	-	-	4,882	-	-	-	4,882	-	-	-	-	4,882	–	–	14,645
Supplies- packaging, production		22,524	26,720	10,060	49,317	7,437	22,101	32,109	16,504	15,549	11,873	9,642	15,549	20,182	14,867	17,506	291,940
Freight and shipping		474	5,142	4,336	4,029	4,739	4,368	4,502	402	4,536	5,042	4,528	3,829	5,096	6,531	4,086	61,639
Bulk cannabis		26,969	-	36,510	57,745	-	-	50,408	-	-	32,357	-	37,964	-	25,864	29,278	297,095
Vape/Live Roson		-	29,766	41,394	-	-	25,580	-	-	28,487	-	-	35,531	-	–	34,351	195,109
Testing and Quality Control		-	4,384	-	-	3,798	-	-	4,091	-	3,871	-	-	5,976	–	–	22,120
HST (recovery)		-	-	-	-	-	-	-	33,594	-	-	-	37,141	-	–	–	70,735
Excise taxes	[4]	-	-	-	-	-	-	171,623	-	-	-	-	171,623	-	–	–	343,246
Other operating		10,577	15,732	1,717	6,825	8,724	170	13,154	7,349	6,825	10,086	170	-	8,647	2,316	–	92,292
Growth Capex		-	-	-	-	-	-	-	30,000	-	-	-	-	-	–	–	30,000
Car Lease		-	690	-	-	-	690	-	-	-	-	690	-	-	–	690	2,758
Contingency	[5]	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	75,000
Operating disbursements		**125,532**	**224,932**	**146,936**	**242,388**	**29,698**	**197,028**	**324,714**	**214,792**	**60,397**	**170,729**	**67,948**	**444,137**	**52,747**	**161,078**	**176,598**	**2,639,654**
Net operating cash flows		**52,158**	**74,040**	**(10,257)**	**(43,559)**	**160,266**	**(39,333)**	**(48,689)**	**(110,571)**	**114,853**	**(40,479)**	**152,302**	**(338,112)**	**91,117**	**22,279**	**(55,187)**	**(19,173)**
Restructuring fees																	
Monitor		-	-	-	89,880	-	-	-	-	86,670	-	-	-	29,960	–	–	206,510
Monitor legal counsel		-	-	-	21,000	-	-	-	-	20,250	-	-	-	7,000	–	–	48,250
Financial advisor	[6]	-	-	5,650	-	-	-	5,650	-	-	-	-	5,650	-	11,300	–	28,250
Company legal counsel		-	-	-	119,940	-	-	-	-	43,335	-	-	-	14,980	–	–	178,255
Total restructuring fees		-	-	5,650	230,820	-	-	5,650	-	150,255	-	-	5,650	51,940	11,300	–	461,265
Net cash flows		52,158	74,040	(15,907)	(274,379)	160,266	(39,333)	(54,339)	(110,571)	(35,402)	(40,479)	152,302	(343,762)	39,177	10,979	(55,187)	(480,438)
Opening cash		89,104	141,262	215,301	199,395	425,016	585,281	545,948	491,609	381,037	345,635	305,156	457,458	113,697	152,874	163,853	89,104
Interim Financing Advances	[7]				500,000												500,000
Closing Cash Position		**141,262**	**215,301**	**199,395**	**425,016**	**585,281**	**545,948**	**491,609**	**381,037**	**345,635**	**305,156**	**457,458**	**113,697**	**152,874**	**163,853**	**108,665**	**108,665**

Mernova Medicinal Inc. and Creso Canada Limited
13-Week Cash Flow Forecast - Prepared by Management
April 7, 2025 to July 6, 2025

Purpose and Disclaimer

Purpose:
This statement of projected cash flow ("**Cash Flow Forecast**") has been prepared by Mernova Medicinal Inc. ("**Mernova**") and Creso Canada Limited ("**Creso**", together with Mernova, the "**Mernova Group**") in accordance with s. 23(1)(b) of the *Companies Creditors' Arrangement Act* ("**CCAA**") for the period of April 7, 2025 to July 20, 2025 ("**Cash Flow Period**"). The Mernova Group has prepared the Cash Flow Forecast based on probable and hypothetical assumptions that reflect the Mernova Group's continued operations, and its understanding of the expected restructuring activities. Management is of the opinion that, as at the date of filing the Cash Flow Forecast, the assumptions used to develop the Cash Flow Forecast represent the most probable set of economic conditions facing the Mernova Group and that the assumptions used provide a reasonable basis for and are consistent with the purpose of this Cash Flow Forecast.

Disclaimer:
Management is of the view that the hypothetical assumptions set out in the Notes below are reasonable and consistent with the purpose of the Cash Flow Forecast, and the probable assumptions are suitably supported and consistent with the plans of the Mernova Group and provide a reasonable basis for the Cash Flow Forecast. All material assumptions are disclosed in the Notes below. Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material. The Cash Flow Forecast has been prepared solely for the purpose described above, using a set of hypothetical and probable assumptions set out in Notes below. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Notes to Cash Flow Forecast

[1] Projected receipts from cannabis revenues include both cannabis and vape products of Mernova, sold to customers under the trademark Ritual Green. Mernova's customers are primarily provincial crown corporations across Canada. Management has estimated the projected receipts from cannabis revenues based on current purchase orders from its customers, historical results and projected volumes from discussions with customers.

[2] Payroll and employee benefits includes payroll, employee and employer portions of source deductions, employee benefits and costs associated with the Company's payroll service provider, Payworks, paid in the ordinary course.

[3] The Mernova Group has maintained its insurance policies for property, general commercial liability, vehicle and product recall. All insurance policies are payable in monthly installments and are not due to expire within the Cash Flow Pe

[4] Excise taxes are payable monthly to the Canada Revenue Agency based on Mernova's prior month gross cannabis sales. Payments are required to maintain Mernova's licenses as issued by Health Canada to continue operations. Projected excise taxes in Week 7 are post-filing CCAA amounts of April 2025 gross cannabis sales.

[5] Contingency has been included within the Cash Flow Forecast at $5k weekly, or approximately 3% of operating disbursements.

[7] Mernova has retained Noble House Consulting Ltd. as a financial advisor throughout the CCAA proceedings and anticipated sales and investment solicitation process. Noble House Consulting Ltd. is owned by William Lay, previous Chief Executive Officer of the Mernova Group's parent company in Australia, Melodiol Global Health Limited.

[8] The Mernova Group intends to make an application to the Supreme Court of Nova Scotia at the Comeback Hearing to request approval to borrow interim debtor-in-possession financing ("**DIP Financing**") to be used by the Mernova Group through the duration of the CCAA proceedings. The Cash Flow Forecast assumes such relief is granted

As of April 21, 2025

DocuSigned by:
Micheline MacKay
B194F87AF1554AE...

Micheline MacKay
CEO and Managing Director
Mernova Medicinal Inc. and Creso Canada Limited

Appendix G

SISP and Bidding Procedures

Sales and Investment Solicitation Process Bidding Procedures

Mernova Group

Introduction

1. On April 16, 2025, Creso Canada Limited and Mernova Medicinal Inc. (collectively, the "**Vendors**") commenced proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") and Grant Thornton Limited was appointed Monitor of the Vendors (in such capacity, the "**Monitor**") pursuant to an initial order (the "**Initial Order**") granted by Justice Bodurtha of the Supreme Court of Nova Scotia in Bankruptcy and Insolvency ("**Court**"), HFX 542329.

2. The Vendors have entered into a binding term sheet with La Plata Capital, LLC (the "**Interim Lender**") where the Interim Lender has committed to providing interim financing (in such capacity, the "**Interim Lender**") to the Vendors to fund, among other things, this sale and investment solicitation process (the "**SISP**").

3. On April 25, 2025, the Vendors intend to make an application to the Court for an amended and restated initial order (the "**ARIO**") and an Order (the "**SISP Order**" and together with the Initial Order and the ARIO, the "**CCAA Orders**"), among other things, authorizing the Monitor, with the assistance of: (i) the Vendors; and/or (ii) if deemed necessary, one or more sales advisor(s), including Hyde Advisory (each, a "**Sales Advisor**") to be engaged by the Monitor on customary terms for such engagement, to conduct a SISP in respect of the Vendors as further described herein.

4. The Monitor intends to provide all qualified interested parties with an opportunity to participate in the SISP.

5. This document (the "**SISP Procedure**") outlines the SISP, which is comprised of one phase and, if required, an auction. The following describes the procedures by which the Monitor will solicit offers and by which interested parties may participate and submit offers within the SISP.

6. All dollar amounts expressed herein, unless otherwise noted, are in Canadian currency. Unless otherwise indicated herein, any event that occurs on a day that is not a business day in the Province of Nova Scotia (each, a "**Business Day**") shall be deemed to occur on the next Business Day. All references to time shall be to the current time in Halifax, Nova Scotia. Capitalized terms not otherwise defined in this SISP Procedure shall have the meanings set forth in the materials filed by the Vendors in support of the SISP Procedure or the reports of the Monitor.

Overview of the Vendors & Purpose of SISP

7. The Vendors comprise a licensed cannabis producer and hold (1) a license from Health Canada to cultivate, produce, process, and sell cannabis, (2) a license from Health Canada to conduct cannabis research testing and (3) a cannabis excise licence from Canada Revenue Agency (collectively, the "**Licenses**"). The Vendors own and operate a fully licensed 24,000 square foot cannabis cultivation facility on 10 acres of land in Windsor, Nova Scotia ("**Facility**"), employ approximately 40 employees and sell cannabis products to the medicinal and retail cannabis markets across Canada.

8. The purpose of the SISP is to:

   (a) provide a process to find the highest and/or best offer for the Opportunity; and

   (b) demonstrate to the Court that the Vendors and the Monitor have conducted a fair, transparent, and commercially reasonable sales and marketing process that will maximize stakeholder value and ultimate recovery in the circumstances.

9. Any transaction or transactions contemplated as a result of the SISP shall be subject to the Vendors obtaining an order in form satisfactory to the Monitor and Interim Lender issued by the Court approving the Successful Bid(s) (as defined below) and authorizing the Vendors to enter into any and all necessary agreements with respect to such Successful Bid(s), including the approval of an plan of arrangement or compromise of the Vendors and any sale approval and vesting order, if applicable

Opportunity

10. The SISP is intended to solicit interest in, and opportunities for, a sale of, or investment in, all or part of the Vendors' assets and business operations (the "**Opportunity**"). The Opportunity may include one or more of a restructuring, recapitalization or other form or reorganization of the business and affairs of the Vendors as a going concern, or a sale of all, substantially all, or one or more components of Vendors' assets (the "**Property**") and business operations (the "**Business**") as a going concern or otherwise.

11. Any sale of the Property or investment in the Business of the Vendors will be on an "as is, where is" basis and without surviving representations or warranties of any kind, nature, or description by the Monitor, the Vendors, or any of their respective agents, advisors or estates, and, in the event of a sale, all of the right, title and interest of the Vendors in and to the Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein and thereon pursuant to CCAA Orders, to the extent that the Court deems it appropriate to grant such relief and except as otherwise provided in the definitive agreement and such CCAA Orders.

12. All interested parties are encouraged to submit bids based on any form of Opportunity that they may elect to advance pursuant to the SISP, including as a Sale Proposal or an Investment Proposal (each as defined below).

13. The Bidding Procedures herein describe the manner in which prospective bidders may gain access to due diligence materials concerning the Vendors, the manner in which bidders may participate in the SISP, the requirement of and the receipt and negotiation of bids received, the ultimate selection of a Successful Bidder(s) (as defined below) and the requisite approvals to be sought from the Court in connection therewith. The Monitor shall conduct the SISP in the manner set forth herein.

14. The Monitor, in consultation with the Vendors and the Interim Lender, may at any time and from time to time, modify, amend, vary or supplement, whether material or immaterial the SISP or the Bidding Procedures, if necessary or useful in order to give effect to the substance of the SISP, the Bidding Procedures and the SISP Order.

15. The Monitor shall post on the Monitor's case management website, www.DoaneGrantThornton.ca/Mernova, as soon as practicable, any such modification, amendment, variation or supplement to the Bidding Procedures and inform interested parties impacted by such modifications.

16. In the event of a dispute as to the interpretation or application of the SISP or Bidding Procedures, the Court will have exclusive jurisdiction to hear and resolve such dispute.

17. No bidder may request or receive any form of bid protection as part of any bid made pursuant to the SISP.

Timeline

18. The following table sets out the key milestones under the SISP which are as follows:

Milestone	Deadline
Monitor and Vendors to create list of Interested Parties	April 25, 2025
Monitor to prepare and have VDR available for Interested Parties	May 9, 2025
Monitor to distribute Solicitation Letters and NDAs to Interested Parties	May 12, 2025
Credit bidders and non-arms length party required to provide notice of participation	May 31, 2025
Bid Deadline	**June 23, 2025**
Selection of Successful Bid	July 3, 2025
Court Approval of Successful Bid	July 17, 2025
Target Closing Date	July 31, 2025

19. The dates set out in the SISP may be extended by the Monitor, in consultation with the Vendors and Interim Lender, or by further order of the Court.

Solicitation of Interest: Notice of the SISP

20. As soon as reasonably practicable:

    (a) the Monitor, with the advice of any Sales Advisor, and in consultation with the Vendors, will prepare a list of Potential Bidders (as defined herein), including:

        (i) parties that have approached the Vendors, the Monitor or the Sales Advisor indicating an interest in the Opportunity; and

        (ii) local and international strategic and financial parties who the Monitor, in consultation with the Vendors and any Sales Advisor, believe may be interested in purchasing all or part of the Business and Property or investing in the Vendors pursuant to the SISP,

    (collectively, "**Interested Parties**");

    (b) the Monitor will arrange for a notice of the SISP (and such other relevant information which the Monitor, in consultation with the Vendors, considers appropriate) (the "**Notice**") to be published in All Atlantic, Insolvency Insider and any other industry publication, website, newspaper or journal as the Monitor, in consultation with any Sales Advisor and the Vendors, considers appropriate, if any.

21. In addition to the list of Interested Parties, the Monitor, in consultation with the Vendors, shall prepare:

    (a) an initial offering summary ("**Solicitation Letter**");

    (b) a form of non-disclosure agreement ("**NDA**");

    (c) a confidential information memorandum ("**CIM**"); and

    (d) an electronic data room ("**VDR**").

22. The Monitor, with the assistance of the Vendors and its advisors, will send the Solicitation Letter and the form of NDA to all applicable Interested Parties in accordance with the milestones set out herein and to any other Interested Party who requests a copy of the Solicitation Letters and NDA, or who is identified as an Interested Party, as soon as reasonably practicable after such request or identification, as applicable.

23. The Monitor will also post copies of the Solicitation Letters and NDA on its case management website: www.DoaneGrantThornton.ca/Mernova.

24. The Monitor will have sole responsibility for managing all communication with Interested Parties prior to and after receipt of bids. This shall include facilitating the delivery of all communications, contacting prospective bidders and providing them with the Solicitation Letter, coordinating the execution of NDAs, facilitating any requests for tours of the Facility, managing the process of answering inquiries from prospective bidders, soliciting

and tracking all Bids, facilitating communication between the Vendors and Interested Parties, and reviewing and negotiating transaction documentation.

25. All requests for information in respect of the SISP, the assets available for sale, and to coordinate site visits must be made through the Monitor.

Qualified Bidders

26. Any party who wishes to participate in the SISP (each, a "**Potential Bidder**"), must deliver to the Monitor:

(a) an executed NDA which shall inure to the benefit of any purchaser of the Business or Property, or any portion thereof;

(b) a letter setting forth the Potential Bidder's: (i) identity; (ii) contact information; and (iii) full disclosure of its direct and indirect principals; and

(c) a form of financial disclosure and credit quality support or enhancement that allows the Monitor to make a reasonable determination as to the Potential Bidder's financial and other capabilities to consummate: (i) the acquisition of all, substantially all or a portion of the Property (each, a "**Sale Proposal**"); or (ii) an investment in, restructuring, reorganization or refinancing of the Business or the Vendors (each, an "**Investment Proposal**"), as applicable.

27. If the Monitor, in its sole discretion, determines that a Potential Bidder has:

(a) delivered the documents contemplated in Section 26 above; and

(b) the financial capability based on the availability of financing, experience and other considerations, to be able to consummate a sale or investment pursuant to the SISP,

then such Potential Bidder will be deemed to be a "**Qualified Bidder**". The Monitor shall be entitled to request such financial and other information from a Potential Bidder as the Monitor deems necessary to determine whether such Potential Bidder is a Qualified Bidder.

28. Each Qualified Bidder will be prohibited from communicating with any other Qualified Bidder with respect to matters relating to the SISP during the term of the SISP, without the consent of the Monitor, and on such terms or such limitations as the Monitor may require to protect the integrity of the SISP, in the Monitor's sole discretion.

29. At any time during the SISP, the Monitor may, in its reasonable business judgment and after consultation with the Vendors, eliminate a Qualified Bidder from the SISP, in which case such bidder will be eliminated from the SISP, will no longer be a Qualified Bidder for the purposes of this SISP, and shall have no further recourse as against the Vendors or the Monitor in respect thereof. The Monitor need not provide a reason or explanation for its decision which is final.

Due Diligence

30. The Monitor, with the assistance of the Vendors, shall prepare the CIM and VDR with additional information considered relevant to the Opportunity, including a form of term sheet and/or purchase agreement. The Vendors, the Monitor and their respective advisors make no representation or warranty whatsoever as to the information (including as to the accuracy or completeness of such information) made available pursuant to the SISP, including in the Solicitation Letter, CIM or VDR (except to the extent expressly contemplated by the Vendors in any definitive sale or investment agreement with a successful bidder ultimately executed and delivered by the Vendors), including, without limitation, as to its accuracy, completeness, quality or fitness for purpose.

31. Potential Bidders must conduct and rely solely on their own independent review, investigation, inspection, and/or due diligence of all information and of the Property and Business in connection with their participation in the SISP and any transaction they enter into with the Vendors.

32. The Monitor shall maintain the VDR and decide what information to include or exclude from the VDR. The Monitor shall also decide what additional due diligence access and information, if any, to provide to Qualified Bidders and may provide some due diligence access and/or information to some Qualified Bidders and not provide the same information to other Qualified Bidders, in its sole discretion. Due diligence access may include management presentations, access to electronic data rooms, on-site inspections, and other matters which a Qualified Bidder may reasonably request and as to which the Monitor, in its reasonable business judgment and after consulting with the Vendors, may agree.

33. The Monitor and any Sales Advisor shall designate a representative to coordinate all reasonable requests for additional information and due diligence access from Qualified Bidders and the manner in which such requests must be communicated. Neither the Vendors nor the Monitor shall be obligated to furnish any information relating to the Property or Business to any person other than to Qualified Bidders. Furthermore, and for the avoidance of doubt, selected due diligence materials may be withheld from certain Qualified Bidders if the Vendors, in consultation with and with the approval of the Monitor, determine such information to represent proprietary or sensitive competitive information.

Credit Bidding

34. Any party or parties holding a valid, enforceable and properly perfected security interest in the Vendors may, subject in all respects to such party's compliance with these Bidding Procedures, credit bid the amount of debt secured by such lien as part of any transaction contemplated by the Bidding Procedures; provided however, that such transaction shall also provide for the indefeasible and irrevocable repayment in full in cash on the date of closing of any such transaction of any and all obligations, being, amongst other potential obligations:

    (a) the outstanding amount of the DIP Facility, together with accrued interest and fees;

(b) the outstanding amount of any Court ordered charges granted within the CCAA proceedings;

(c) priority charges and/or deemed trusts (including, for example, amounts owing to the Canada Revenue Agency on in respect of WEPPA, etc.); and

(d) the secured interest, or an offer thereof to that secured creditor, of the applicable secured creditor, should it be different than the secured creditor advancing a credit bid, on the applicable asset(s) forming the credit bid.

35. Party or parties seeking to, or intending to, submit a credit bid must indicate their intention to do so in writing to the Monitor no later than May 31, 2025 at 5:00 p.m. Atlantic Standard Time.

36. Should a party or parties elect to participate in the SISP, they shall be treated as a Potential Bidder pursuant to the SISP.

37. Nothing contained within the SISP or any order approving the SISP is intended to, or shall, alter or amend the rights, terms or obligations under any intercreditor agreement or other form of agreement in respect of the existing indebtedness of the Vendors.

Insider Bid / Non-Arms Length Party Bidder

38. Any insider or non-arm's length party seeking to, or intending to, submit a bid must indicate their intention do so in writing to the Monitor no later than May 31, 2025 at 5:00 p.m. Atlantic Standard Time.

39. Should an insider or non-arm's length party or parties elect to participate in the SISP, they shall be treated as a Potential Bidder pursuant to the SISP.

Submission of Binding Offers

40. Qualified Bidders that wish to make a formal offer to purchase or make an investment in the Vendors or their Property or Business shall submit a binding offer (a "**Binding Bid**") that complies with all of the following requirements to the Monitor at the address specified in Schedule "A" hereto (including by e-mail), so as to be received by them not later than June 23, 2025 at 5:00 p.m. Atlantic Standard Time and as may be further modified with the consent of the Monitor or by Order of the Court from time to time (the "**Bid Deadline**"):

(a) the bid (either individually or in combination with other bids that make up one bid) is an offer to purchase or make an investment in the Vendors or their Property or Business and is consistent with any necessary terms and conditions in this SISP Procedure or otherwise established by the Monitor and the Vendors and communicated to Qualified Bidders;

(b) the bid includes a letter stating that the Qualified Bidder's offer is irrevocable until the selection of the Successful Bidder (as defined herein), provided that if such Qualified Bidder is selected as the Successful Bidder, its offer shall remain irrevocable until the closing of the transaction with the Successful Bidder;

(c) the bid includes duly authorized and executed term sheet or transaction agreements, including the purchase or subscription price, investment amount expressed in Canadian dollars (the "**Purchase Price**") and any other key economic terms (such as the purchased assets, any excluded assets, any assumed liabilities, or a new debt/equity structure, as applicable), together with all exhibits and schedules thereto;

(d) the bid includes written evidence of a firm, irrevocable commitment for financing or other evidence of ability to consummate the proposed transaction, that will allow the Monitor to make a determination as to the Qualified Bidder's financial and other capabilities to consummate the proposed transaction;

(e) the bid is not conditioned on: (i) the outcome of unperformed due diligence by the Qualified Bidder, apart from, to the extent applicable, the disclosure of due diligence materials that represent proprietary or sensitive competitive information which was withheld from the Qualified Bidder; or (ii) obtaining financing, but may be conditioned upon the Vendors receiving the required approvals or amendments relating to the material licences required to operate the Business, if necessary;

(f) it provides written evidence, satisfactory to the Monitor, in consultation with the Vendors and the Interim Lender, of the ability to consummate the transaction within the timeframe contemplated by the SISP and to satisfy any obligations or liabilities to be assumed on closing of the transaction, including, without limitation, a specific indication of the sources of capital;

(g) it identifies all proposed material conditions to closing including, without limitation, any internal, regulatory or other approvals and any form of agreement or other document required from a government body, stakeholder or other third party, and an estimate of the anticipated timeframe and any anticipated impediments for obtaining such approvals;

(h) the bid does not include a request for or entitlement to any break fee, expense reimbursement or other similar type payment if the bid is not selected as the Successful Bid (as defined herein);

(i) the bid fully discloses the identity of each entity that will be entering into the transaction or the financing, or that is participating or benefiting from such bid;

(j) for a Sale Proposal, the bid includes payment of a non-refundable deposit in the form of a wire transfer to a trust account specified by the Monitor (a "**Deposit**") in an amount not less than 10% of the Purchase Price by the Bid Deadline;

(k) for an Investment Proposal, the bid includes payment of a Deposit in the amount of not less than 10% of the total new investment contemplated in the bid by the Bid Deadline;

(l) the bid includes acknowledgements and representations by the Qualified Bidder that the Qualified Bidder:

(i) has had an opportunity to conduct any and all due diligence regarding the Property, the Business and the Vendors prior to making its offer (apart from, to the extent applicable, the disclosure of due diligence materials that represent proprietary or sensitive competitive information which were withheld from the Qualified Bidder);

(ii) it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Property in making its bid; and

(iii) it did not rely upon any written or oral statements, representations, warranties, or guarantees whatsoever, whether express, implied, statutory or otherwise, regarding the Business, the Property, or the Vendors or the completeness of any information provided in connection therewith, except as expressly stated in the definitive transaction agreement(s) signed by the Vendors;

(m) the bid and Deposit are received by the Bid Deadline;

(n) the bid contemplates closing the transaction set out therein no later than the timeline set out in Section 18.

Assessment of Binding Bids

41. Following the Bid Deadline, the Monitor, together with the Sales Advisor, and the Vendors, will assess the Binding Bids received, following which they will designate the most competitive bids that comply with the foregoing requirements to be "**Qualified Bids**". No Binding Bids received shall be deemed to be Qualified Bids without the approval of the Monitor, in consultation with the Vendors. Only Qualified Bidders whose bids have been designated as Qualified Bids are eligible to become the Successful Bidder(s).

42. If at the Bid Deadline, at least one Qualified Bid has been received, the Monitor, in consultation with the Vendors, will evaluate Qualified Bids based upon several factors including, without limitation:

(a) the Purchase Price and the net value provided by such bid;

(b) the identity, circumstances and ability of the Qualified Bidder to successfully complete such transactions;

(c) the proposed transaction documents;

(d) factors affecting the speed, certainty and value of the transaction;

(e) the assets included or excluded from the bid;

(f) any related restructuring costs; and

(g) the likelihood and timing of consummating such transaction.

The Monitor may choose to aggregate separate Binding Bids from unaffiliated Qualified Bidders to create one Qualified Bid if such aggregated Qualified Bid would constitute a superior offer.

Selection of Successful Bid

43. If at the Bid Deadline, only one Qualified Bid has been received in respect of the Vendors, as determined by the Monitor in consultation with the Vendors, it may be designated as the best bid (the "**Successful Bid**", and, as applicable, the Qualified Bidder making such Successful Bid, the "**Successful Bidder**") and will close in accordance with the terms of this SISP Procedure, the Successful Bid, and any applicable Court orders. For certainty, the Monitor and the Vendors are under no obligation to accept any Qualified Bid or designate any Qualified Bid a Successful Bid in respect of the Vendors. Furthermore, the Monitor, in consultation with the Vendors, need not accept the highest Qualified Bid, so long as the Monitor has conducted a fair, transparent and commercially reasonable sales and marketing process.

44. In the event that no bid is designated a Successful Bid by the Monitor, the Monitor may terminate this SISP upon notice to the Vendors and Interim Lender.

45. If the Monitor, in consultation with the Vendors, determines, in its reasonable discretion, that:

(a) one or more Qualified Bids have been received for Property not contemplated in the Successful Bid, the Monitor may designate the applicable Qualified Bids as the respective Successful Bids for the applicable Property (as well as any applicable Back-up Bids (as defined below)).

(b) one or more Qualified Bids have been received for some or all of the Property, the Monitor may either:

(i) designate one or more Qualified Bids as Successful Bids and one or more of the other Qualified Bids as Back-up Bids; or

(ii) provide all parties that have made Qualified Bids, the opportunity to make further bids through the auction process set out in **Schedule "**A**"** (the "**Auction**").

Transaction Approval Application Hearing

46. Once the Successful Bid has been selected by the Monitor, the Vendors will bring an application to approve the transaction with the Successful Bidder (the "**Transaction Approval Application**") as soon as reasonably practicable after finalization of the transaction agreement(s).

47. All the Qualified Bids other than the Successful Bid and Back-up Bids, if any, shall be deemed to be rejected on and as of the date Court approval of the Successful Bid.

Confidentiality and Access to Information

48. All discussions regarding a Sale Proposal, Investment Proposal, Binding Bid or Qualified Bid shall be directed through the Monitor or any Sales Advisor. Under no circumstances should the management or employees of the Vendors be contacted directly without the prior consent of the Monitor. Any such unauthorized contact or communication may result in exclusion of the interested party from the SISP Procedures.

49. Participants and prospective participants in the SISP shall not be permitted to receive any information that is not made generally available to all current participants relating to the number or identity of Potential Bidders, Qualified Bidders, Qualified Bidders, Qualified Bids, the details of any bids submitted or the details of any confidential discussions or correspondence between the Vendors, the Monitor, any Sales Advisor, and such other bidders or Potential Bidders in connection with the SISP, except to the extent the Vendors, with the approval of the Monitor and consent of the applicable participants, are seeking to combine separate bids from Qualified Bidders, in which case they shall use reasonable efforts to protect the confidentiality of such party's confidential information.

50. The Monitor may consult with any other parties with a material interest in the CCAA Proceedings regarding the status of and material information and developments relating to the SISP to the extent considered appropriate by the Monitor (taking into account, among other things, whether any particular party is a Potential Bidder, Qualified Bidder or other participant or prospective participant in the SISP or involved in a bid), provided that such parties shall have entered into confidentiality arrangements satisfactory to the Vendors and the Monitor.

Deposits

51. All Deposits shall be retained by the Monitor in a non-interest-bearing trust account located at a financial institution in Canada selected by the Monitor. The Monitor may waive the requirement of a Deposit if it believes sufficient security or certainty has been provided by a Qualified Bidder.

52. If there is a Qualified Bid that constitutes a Successful Bid, the Deposit paid by the Successful Bidder shall be applied to the consideration to be paid upon closing of the transaction constituting the Successful Bid.

53. The Deposit(s) from all Qualified Bidders submitting Qualified Bids that do not constitute a Successful Bid or a Back-up Bid shall be returned to such Qualified Bidder within five (5) Business Days of the date that the Vendors select a Successful Bid and Back-up Bid, if applicable.

54. If the Qualified Bidder making a Qualified Bid is selected as the Successful Bid and breaches or defaults on its obligation to close the transaction in respect of its Successful Bid, or it retracts or revokes its bid before a Successful Bid is designated, it shall forfeit its Deposit to the Monitor for and on behalf of the Vendors; provided however that the forfeit of such Deposit shall be in addition to, and not in lieu of, any other rights in law or equity that the Vendors may have in respect of such breach or default.

55. If the Vendors are unable to complete the Successful Bid as a result of their own actions and not as a result of steps or conditions contained in the Successful Bid (or the actions of the Successful Bidder) then the Deposit shall be returned to the Successful Bidder.

Supervision of the SISP

56. The Monitor, with the support of any Sales Advisor, shall oversee the conduct of the SISP in all respects. Without limitation to that supervisory role, the Monitor shall participate in the SISP in the manner set out in this SISP Procedure, the CCAA Orders, the SISP Order and any other order of the Court, and is entitled to receive all information in relation to the SISP. For the avoidance of doubt, the completion of the transactions contemplated by any Successful Bid shall be subject to the approval of the Court and the requirement of approval of the Court may not be waived.

57. The Monitor, in consultation with the Vendors, may waive compliance with any one or more of the requirements of this SISP, including, for greater certainty, waiving strict compliance with any one or more of the requirements specified above and deem a non-compliant bid to be a Qualified Bid.

58. This SISP does not, and shall not be interpreted to, create any contractual or other legal relationship between the Vendors or the Monitor and any Potential Bidder, any Qualified Bidder or any other party, other than as specifically set forth in a definitive agreement that may be entered into with the Vendors.

59. Without limiting the preceding section, the Monitor, and any Sales Advisor, shall not have any liability whatsoever to any person or party, including without limitation any Potential Bidder, Qualified Bidder, the Successful Bidder, any Back-up Bidder, the Vendors, or any other creditor or other stakeholder of the Vendors, for any act or omission related to the process contemplated by this SISP Procedure, except to the extent such act or omission is the result from gross negligence or willful misconduct of the Monitor. By submitting a bid, each Potential Bidder, Qualified Bidder, Successful Bidder and Back-up Bidder shall be deemed to have agreed that it has no claim against the Monitor for any reason whatsoever, except to the extent that such claim is the result of gross negligence or willful misconduct of the Monitor.

60. Participants in the SISP are responsible for all costs, expenses and liabilities incurred by them in connection with the SISP, a submission of any Binding Bid, due diligence activities, and any further negotiations or other actions whether or not they lead to the consummation of a transaction.

61. Subject to the terms of the Initial Order, the ARIO, and the SISP Order, the Monitor, in consultation with the Vendors, shall have the right to modify the SISP, if, in its reasonable business judgment, such modification will enhance the process or better achieve the objectives of the SISP; provided that the service list in the CCAA Proceedings shall be advised of any substantive modification to the procedures set forth herein.

62. In the event of a disagreement between the Monitor and the Vendors relating to any matter in the SISP, the Monitor shall have the final approval. In the event of a disagreement between the Monitor and the Interim Lender, unless expressly set out herein as a matter

requiring the prior approval of the Interim Lender, the Monitor shall have the final approval. In the event of a disagreement between the Monitor and the Interim Lender which expressly requires the consent of the Interim Lender, the Monitor shall seek the advice and direction of the Court if it is not able to come to an agreement with the Interim Lender.

63. In order to discharge its duties in connection with the SISP the Monitor may engage professional or business advisors or agents as the Monitor deems fit in its sole discretion.

Additional Terms

64. In addition to any other term or requirement of this SISP Procedure:

(a) The Monitor, as applicable, shall at all times prior to the selection of a Successful Bid use commercially reasonable efforts to facilitate a competitive bidding process in the SISP including, without limitation, by actively soliciting participation by all persons who would be customarily identified as high potential bidders in a process of this kind or who may be reasonably proposed by any of the Monitor, the Interim Lender, or the Vendors' stakeholders as a potential bidder.

(b) Any consent, approval or confirmation to be provided by the Vendors and/or the Monitor is ineffective unless provided in writing and any approval required pursuant to the terms hereof is in addition to, and not in substitution for, any other approvals required by the CCAA or as otherwise required at law in order to implement a Successful Bid. For the avoidance of doubt, a consent, approval or confirmation provided by email shall be deemed to have been provided in writing for the purposes of this paragraph.

(c) Nothing in this SISP shall require that a Successful Bid or any other bid must NOT be approved by the Court. The Court at all times retains the discretion to direct the clarification, termination, extension or modification of the SISP and Bidding Procedures on application of any interested party.

(d) Prior to the seeking of Court approval for any transaction or bid contemplated by this SISP, the Monitor will provide a report to the Court on the SISP process, parts of which may be requested to be filed under temporary seal, including in respect of any and all bids received.

65. Notwithstanding the foregoing, in its review and recommendation of a Successful Bid, the Monitor may waive compliance with any one or more of the requirements of the Bid Criteria and deem any such non-compliant Bid to be a Qualified Bid, if in the Monitor's opinion, the admission of such Qualified Bid will enhance the realization of the Property.

66. Before accepting a Bid, the Monitor may, in its sole discretion, negotiate with any Bidder for changes or clarifications to that person's Bid. Further, in the event that any of the Bids are substantially similar, the Monitor may in its sole discretion call upon those Bidders to submit further Bids. Notwithstanding the foregoing, the Monitor shall not be obligated to negotiate with any potential Bidder or to give any Potential Bidder an opportunity to resubmit a Bid, whether or not the Monitor negotiates with any Potential Bidder.

Contact

67. All questions and enquiries regarding the SISP should be directed to Mernova@Doane.gt.ca, with a copy to a representative of the Monitor, being Corey Hines (Corey.Hines@Doane.gt.ca).

Further Orders

68. At any time during the SISP, the Monitor or the Vendors may apply to the Court for advice and directions with respect to the discharge of their respective powers and duties hereunder, if any.

Doane Grant Thornton

Schedule "A"

To the Monitor:

Grant Thornton Limited, the Monitor

Attention: Liam Murphy
Email: liam.murphy@doane.gt.ca

Corey Hines
Email: corey.hines@doane.gt.ca

With a copy to:

Stewart McKelvey, legal counsel to the Monitor

Attention: Sara Scott
Email: sscott@stewartmckelvey.com

David Wedlake
Email: dwedlake@stewartmckelvey.com

To the Vendors:

Attention: Micheline MacKay
Email: micheline.mackay@mernova.com

With a copy to:

MLT Aikins LLP, legal counsel to the Vendors

Attention: Chris Nyberg
Email: cnyberg@mltaikins.com

Schedule “B”

Auction

1. In the event of an Auction, the Monitor shall schedule and conduct the Auction commencing at the offices of the Monitor’s legal counsel, at 600-1741 Lower Water Street Halifax, NS B3J 0J2, or such other location as shall be timely communicated to all entities entitled to attend at the Auction.

2. The Auction shall run in accordance with the following procedures, which shall be adjusted accordingly in the event of any adjournment of the Auction by the Monitor:

   (a) prior to 5:00 p.m. Atlantic Standard Time no less than two business days before the Auction, the Monitor will provide unredacted copies of the Qualified Bid(s) which the Monitor believes is/are (individually or in the aggregate) the highest or otherwise best Qualified Bid(s) (the “**Starting Bid**”) to all Qualified Bidders that have made a Qualified Bid;

   (b) prior to 5:00 p.m. Atlantic Standard Time no less than one business day before the Auction, each Qualified Bidder that has made a Qualified Bid must inform the Monitor by email whether it intends to participate in the Auction (the parties who so inform the Monitor that they intend to participate are hereinafter referred to as the “**Auction Bidders**”);

   (c) prior to the Auction, the Monitor shall develop a financial comparison model (the “**Comparison Model**”) which will be used to compare the Starting Bid and all Subsequent Bids (as defined below) submitted during the Auction, if applicable;

   (d) during the morning of the Auction, the Monitor shall make itself available to meet with each of the Auction Bidders to review the procedures for the Auction, the mechanics of the Comparison Model, and the manner by which Subsequent Bids will be evaluated during the Auction, and the Auction shall be held immediately thereafter;

   (e) only representatives of the Auction Bidders, the Monitor, the Vendors and such other persons as permitted by the Monitor (and the advisors to each of the foregoing entities) are entitled to attend the Auction in person (and the Monitor shall have the discretion to allow such persons to attend by teleconference);

   (f) the Monitor shall arrange to have a court reporter attend the Auction;

   (g) at the commencement of the Auction, each Auction Bidder shall be required to confirm that it has not engaged in any collusion with any other Auction Bidder with respect to the bidding or any sale;

   (h) only the Auction Bidders will be entitled to make a Subsequent Bid (as defined below) at the Auction; provided, however, that in the event that any Qualified Bidder elects not to attend and/or participate in the Auction, such Qualified Bidder’s Qualified Bid, shall nevertheless remain fully enforceable against such Qualified Bidder if it is selected as the Winning Bid (as defined below) or Back-up Bid;

(i) all Subsequent Bids presented during the Auction shall be made and received in one room and on an open basis. All Auction Bidders will be entitled to be present for all Subsequent Bids at the Auction with the understanding that the true identity of each Auction Bidder at the Auction will be fully disclosed to all other Auction Bidders and that all material terms of each Subsequent Bid will be fully disclosed to all other Auction Bidders throughout the entire Auction;

(j) all Auction Bidders must have at least one individual present at the Auction with authority to bind such Auction Bidder;

(k) the Monitor may employ and announce at the Auction such additional procedural rules that are reasonable under the circumstances (including but not limited to, the amount of time allotted to make a Subsequent Bid, requirements to bid in each round, and the ability of multiple Auction Bidders to combine to present a single bid) for conducting the Auction, provided that such rules are (i) not inconsistent with these SISP Procedures, general practice in insolvency proceedings, the CCAA Order, or the SISP Order and (ii) disclosed to each Auction Bidder at the Auction;

(l) bidding at the Auction will begin with the Starting Bid and continue, in one or more rounds of bidding, so long as during each round at least one subsequent bid is submitted by an Auction Bidder (each, a "**Subsequent Bid**") that the Monitor, utilizing the Comparison Model, determines is:

    (i) for the first round, a higher or otherwise better offer than the Starting Bid;

    (ii) for subsequent rounds, a higher or otherwise better offer than the Leading Bid (as defined below),

in each case by at least the minimum incremental overbid of at least $100,000. After the first round of bidding and between each subsequent round of bidding, the Monitor shall announce the bid (including the value and material terms thereof) that it believes to be the highest or otherwise best offer (in each round, the "**Leading Bid**"). A round of bidding will conclude after each Auction Bidder has had the opportunity to submit a Subsequent Bid with full knowledge of the Leading Bid;

(m) to the extent not previously provided (which shall be determined by the Monitor), an Auction Bidder submitting a Subsequent Bid must submit, at the Monitor's discretion, as part of its Subsequent Bid, written evidence (in the form of financial disclosure or credit-quality support information or enhancement reasonably acceptable to the Monitor), demonstrating such Auction Bidder's ability to close the transaction proposed by the Subsequent Bid;

(n) the Monitor reserves the right, in its reasonable business judgment, to make one or more adjournments in the Auction of not more than 24 hours each, to among other things (i) facilitate discussions between the Monitor and the Auction Bidders; (ii) allow the individual Auction Bidders to consider how they wish to proceed; (iii) consider and determine the current highest and best offer at any given time in the Auction; and (iv) give Auction Bidders the opportunity to provide the Monitor with such additional evidence as the Monitor, in its reasonable business judgment, may require that that Auction Bidder has sufficient internal resources, or has received sufficient non-contingent debt and/or equity funding commitments, to consummate the proposed transaction at the prevailing overbid amount;

(o) if, in any round of bidding, no new Subsequent Bid is made, the Auction shall be closed;

(p) the Auction shall be closed within two (2) Business Days of the start of the Auction unless otherwise extended by the Monitor; and

(q) no bids (from Qualified Bidders or otherwise) shall be considered after the conclusion of the Auction.

3. At the end of the Auction, the Monitor, in consultation with the Vendors, shall select the winning bid (the "**Winning Bid**"). Once a definitive agreement has been negotiated and settled in respect of the Winning Bid as selected by the Monitor (the "**Selected Superior Offer**") in accordance with the provisions hereof, the Selected Superior Offer shall be the "**Successful Bid**" hereunder and the person(s) who made the Selected Superior Offer shall be the "**Successful Bidder**" hereunder.

4. Notwithstanding the foregoing, the Monitor may designate one or more Qualified Bids (whether made in the Auction or not) as a "**Back-up Bid**" and the person(s) who made the Back-up Bid shall be a "**Back-up Bidder**" hereunder. A Back-up Bid shall remain enforceable against the Back-up Bidder until either the transaction contemplated by the initial applicable Successful Bid closes (in which case the Back-up Bid shall be deemed to terminate and the Back-up Bidder shall receive its Deposit back) or the transaction contemplated by the initial Successful Bid does not close, in which case the Monitor may deem the best Back-up Bid to be the Successful Bid for the purposes of the SISP Procedures.