Court File No. •

SUPREME COURT OF NEWFOUNDLAND & LABRADOR
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF an application of Nemori Farms Ltd.

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

PRE-FILING REPORT TO THE COURT SUBMITTED BY GRANT THORNTON LIMITED IN ITS CAPACITY AS PROPOSED MONITOR

March 5, 2025

Doane Grant Thornton

Grant Thornton Limited
Proposed Monitor

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TABLE OF CONTENTS

Introduction 3
Purpose of the Pre-Filing Report 3
Terms of Reference 4
Qualifications to Act as Monitor 5
GTL's Activities to Date 6
Background – Company Overview 8
Debtor in Possession Financing 15
Preliminary Restructuring Plan 16
Cash Flow Forecast 16
Proposed Court Ordered Charges 20
Company's Request for Pre-Filing Payments 22
Good Faith and Due Diligence 22
Need for a Stay of Proceedings and Relief Pursuant to the CCAA 23

APPENDICES

Appendix A – Monitor's Consent to Act

Appendix B – Cash Flow Forecast

Introduction

1. Grant Thornton Limited ("**GTL**", or the "**Proposed Monitor**") understands that Nemori Farms Ltd. ("**Nemori**" or the "**Company**") will be making an application to the Supreme Court of Newfoundland and Labrador in Bankruptcy and Insolvency ("**Court**") for an order ("**Initial Order**") granting, among other things, a stay of proceedings against the Company for ten (10) days ("**Stay Period**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C., 1985 c. C-36, as amended ("**CCAA**"). The proceedings anticipated to be commenced by the Company under the CCAA are referred to herein as the "**CCAA Proceedings**".

2. This pre-filing report of the Proposed Monitor (the "**Pre-Filing Report**") has been prepared prior to and in contemplation of GTL's appointment as Monitor in these CCAA Proceedings, to provide the Court with information for its consideration in respect of the relief sought by the Company in the Initial Order.

3. Should the Initial Order be granted, the Proposed Monitor understands that the Company intends to return to the Court within ten (10) days ("**Comeback Hearing**") to seek the Court's approval of an Amended and Restated Initial Order ("**ARIO**"), granting certain broader relief as part of the Company's restructuring plan. If appointed, GTL intends to file a further report in advance of the Comeback Hearing to provide GTL's views on the relief sought in the ARIO.

Purpose of the Pre-Filing Report

4. The purpose of this Pre-Filing Report is to provide the Court and the Company's stakeholders with the Proposed Monitor's understanding and views with regards to:

   (a) The qualifications of GTL to act as Monitor in these CCAA Proceedings and an overview of GTL's involvement with the Company to date;

   (b) An overview of the business and affairs of the Company and the Proposed Monitor's understanding of the factors leading to Nemori's decision to commence these CCAA Proceedings;

   (c) The Proposed Monitor's understanding of the Company's current financial position and recent financial performance;

(d) The Proposed Monitor's understanding of the Company's initial plan for these proposed CCAA proceedings, should the Court grant the Company's requested relief;

(e) The Proposed Monitor's views on the Company's weekly cash flow forecast for the period of March 10, 2025, to June 8, 2025 (the "**Cash Flow Forecast**"), pursuant to s. 23 of the CCAA; and

(f) The Proposed Monitor's views on the Company's request for an Initial Order including:

   i. a stay of proceedings against the Company until the Comeback Hearing;

   ii. approval of an initial charge in the amount of $150,000 (the "**Administration Charge**") securing the fees and expenses of the Monitor, legal counsel to the Monitor (the "**Monitor's Counsel**"), legal counsel to the Company (the "**Company Counsel**") and Resolve Advisory Services ("**Resolve**") as the Company's financial advisor through the Comeback Hearing; and

   iii. approval of a charge in the amount of $100,000 (the "**Directors' Charge**") securing the indemnification by the Company of its directors and officers against the obligations and liabilities they may incur as directors or after the commencement of the CCAA Proceedings, except to the extent that, with respect to any individual, the obligation or liability was incurred as a result of the individual's gross negligence or willful misconduct.

Terms of Reference

5. In preparing this Pre-Filing Report, the Proposed Monitor has relied upon unaudited internal financial statements, certain other financial information and financial projections of the Company, discussions with management of the Company ("**Management**"), discussions with the Company's legal and financial advisors and financial information provided by other stakeholders (collectively, the "**Information**"). While the Proposed 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 Company, the Proposed 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 this Pre-Filing Report consists of forward-looking information. The Proposed 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 Proposed Monitor has assumed the integrity and truthfulness of the Information and explanations presented to it by Management, directors of the Company, and other stakeholders within the context in which the Information was presented. To date, nothing has come to the Proposed Monitor's attention that would cause it to question the reasonableness of these assumptions. The Proposed Monitor requested that Management, directors and other stakeholders bring to its attention any significant matters which were not addressed in the course of the Proposed Monitor's specific inquiries. Accordingly, this Pre-Filing Report is based solely on the Information (financial or otherwise) made available to the Proposed Monitor by the Company, Management and other stakeholders.

8. This Pre-Filing Report has been prepared for the use of this Court and the Company's stakeholders as general information relating to the Company and these proposed CCAA proceedings, and to assist the Court in determining whether to grant the relief sought by the Company. Accordingly, the reader is cautioned that this Pre-Filing Report may not be appropriate for any other purpose. The Proposed 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 Pre-Filing 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 the March 3, 2025 affidavit of Sheldon Cameron ("**Cameron Affidavit**").

Qualifications to Act as Monitor

10. GTL is a Licensed Insolvency Trustee within the meaning of s. 2(1) of the *Bankruptcy and Insolvency Act,* R.S.C., 1985, c. B-3 (the "**BIA**") and is not subject to any of the restrictions on who may be appointed as Monitor as set out within s. 11.7(2) of the CCAA. Specifically,

neither GTL nor any of its representatives or affiliates has at any time in the past two years been:

(a) a director, officer or employee of the Company;

(b) related to the Company, or to any director or officer of the Company; or

(c) the auditor, accountant or legal counsel or a partner or an employee of the auditor, accountant or legal counsel, of the Company.

11. GTL is an independent, neutral third party and has consented to act as Monitor should the Court grant the Company's request for relief in the Initial Order. A copy of the Proposed Monitor's consent to act is attached hereto as **Appendix "A"**. GTL has retained Reconstruct LLP ("**Monitor's Counsel**") to act as its independent counsel in the event GTL is appointed as Monitor.

12. GTL draws breadth of experience from its team of Partners and colleagues in Atlantic Canada and across the Country. The GTL representatives with carriage of these matters are experienced Chartered Insolvency and Restructuring Professionals and Licensed Insolvency Trustees, who have acted in restructurings and CCAA matters across various provinces in Canada and particularly in Atlantic Canada.

GTL's Activities to Date

13. Pursuant to an engagement letter dated February 19, 2025 (the "**GTL Engagement Letter**"), GTL was engaged to assist Nemori in preparing for these CCAA Proceedings including the provision of financial, strategic and restructuring advice prior to the application for an Initial Order.

14. The GTL Engagement Letter specifically states that if appointed as Monitor under the CCAA, GTL will be acting as an officer of the Court and its primary responsibility will be to the Court. While GTL endeavors to work cooperatively with the Company throughout the CCAA Proceedings, the GTL Engagement Letter confirms that GTL's duties to the Court will take priority over the Company's wishes.

15. For certainty, pursuant to the GTL Engagement Letter, GTL did not take any steps that would entail GTL controlling and or managing the Company's operations, nor has GTL provided accounting or auditing advice to the Company. Fees payable to GTL pursuant to

the GTL Engagement Letter are based on hours worked multiplied by normal hourly rates, consistent with mandates of this nature in Atlantic Canada. GTL is not entitled to any success-based or other contingency-based fees.

16. Since the date of the GTL Engagement Letter, GTL as Proposed Monitor has, among other things:

(a) held various meetings and email communications with Management, Resolve and the Company's legal counsel to discuss restructuring options available, the proposed CCAA Proceedings, outline the role of the Monitor therein, and understand the basis for the Company's request for the Initial Order as highlighted in the Cameron Affidavit. The Proposed Monitor understands Resolve, who has extensive restructuring experience, has been working with the Company since August of 2024 in respect of cash flow and working capital forecasting, responding to requests of secured creditors, and considering potential refinancing and restructuring alternatives for the Company;

(b) the Proposed Monitor worked with the Company to further discuss and explain, among other things:

i. the roles of various parties in the CCAA Proceedings;

ii. the impact of Court ordered charges and why they are often requested in CCAA Proceedings;

iii. should the Initial Order be granted, the Company's process for the review and payment of post-filing expenditures and communication with vendors, suppliers, and stakeholders; and

iv. the expected impact on the Company and its stakeholders if the Initial Order is granted.

(c) worked with the Company, its counsel and Resolve to gain an understanding of the various affected stakeholders in the proposed CCAA Proceedings outlined in the Cameron Affidavit, including CRA, employees, key suppliers and the relationship with the Company's' secured creditors;

(d) assisted the Company in preparing and reviewing the Cash Flow Forecast, reviewing the hypothetical assumptions within the Cash Flow Forecast and challenging

Management as to those assumptions based on the Proposed Monitor's experience in similar proceedings of this nature;

(e) discussed the need for interim financing in these CCAA Proceedings given the Company's current financial position and the Cash Flow Forecast, assisted the Company in seeking such interim financing, and gained an understanding of the various options available for the Company in respect of same;

(f) engaged with counsel to the Royal Bank of Canada ("**RBC**") as the Company's senior secured creditor and RBC's financial advisor in anticipation of the Company filing for creditor protection to discuss, amongst other things, potential restructuring options, interim financing, historical challenges faced by the Company and how RBC could support the proposed CCAA Proceedings;

(g) assisted the Company in developing and reviewing its communication plan in respect of the proposed CCAA Proceedings to stakeholders, including employees, secured creditors, unsecured creditors, and created a case management website to be a central repository of information for stakeholders should this Honorable Court grant the Company's requested relief and appoint GTL as Monitor, at www.DoaneGrantThornton.ca/Nemori;

(h) engaged in discussions with the Company in respect of the operation of the Stay of Proceedings, the impact of the CCAA Proceedings on creditors, and gained an understanding of the Company's view on creditors who may be considered critical to continued operations and preservation of property in the ordinary course; and

(i) gained a sufficient understanding of the Company's operations, financial challenges and potential restructuring options to effectively carry out the Proposed Monitor's duties pursuant to the Initial Order as this Court's officer, should the Initial Order be granted.

Background – Company Overview

17. The business and affairs of the Company, including the factors leading to its insolvency, are described in detail in the Cameron Affidavit. The Proposed Monitor has reviewed the Cameron Affidavit and discussed the business and affairs of the Company with

Management, Company counsel and Resolve. The Proposed Monitor is of the view that, based on the information reviewed as of the date of this Pre-Filing Report, the Cameron Affidavit provides a fair summary thereof.

The Business and Operations

18. Nemori is owned equally by the Company's directors, Calvin and Sheldon Cameron ("**Cameron Brothers**"), and operates as a dairy farm in Deer Lake, Newfoundland and Labrador. The Proposed Monitor understands the Company was formed in approximately July, 2020 when the Cameron Brothers purchased certain corporate assets of Headline Holsteins Limited ("**Headline**") and certain personal assets of Headline's owners that were used in the dairy farm operation. The purchase price was approximately $14.7 million plus HST, which was financed by RBC via approximately $11 million of term and mortgage debt, with the remaining balance financed primarily through a secured vendor take back promissory note from the Company to Headline of approximately $3.7 million ("**VTB Loan**").

19. The Cameron Affidavit indicates that Nemori is currently the second largest dairy farm in Newfoundland, which produces approximately 4.5 million litres of milk annually and represents between 15%-20% of the island's milk production. The Proposed Monitor understands that Nemori's operations include breeding cows through artificial insemination, raising their calves, attending to all animals' medical needs and producing food crops for animal consumption including corn silage, grass, and legumes.

20. The Proposed Monitor is advised that the Cameron Brothers work full time on farming operations.In addition, the Company employs approximately 9 people in the winter and 14-15 staff during the summer months.

Factors Leading to Proposed CCAA Proceedings

21. From discussions with the Company, Resolve, and a review of the report prepared by Thyagrissen Consulting Limited through the Farm Debt Remediation Service ("**FDMA Report**") attached as Confidential Appendix "F" to the Cameron Affidavit, the Proposed Monitor understands the key factors contributing to the Company's insolvency and application for these CCAA Proceedings include:

(a) The financial projections used by the Cameron Brothers to evaluate and finance the purchase of the business from Headline contained assumptions that were unrealistic given the number of cattle purchased, their historical productivity, the debt required to close the transaction and the Cameron Brothers' inexperience with operating a business of this scale. Based on the Proposed Monitor's review of the FDMA Report, it does not appear that the Company at its inception had the ability to generate sufficient income to service both operating requirements and the debt required for the purchase;

(b) The Company faced numerous operational challenges from inception, including high cull rates, challenges with animal health, personnel challenges, unfilled quota/capacity and breakdowns of key equipment. While the Proposed Monitor is advised that the Company has made headway improving many of these operational areas, these challenges created significant stress on the Company's working capital;

(c) The Company's externally prepared financial statements demonstrate continued challenges in profitability, working capital and leverage since its inception in July 2020, as highlighted below:

Nemori Farms Ltd.
Select Reported Figures for Years Ended February 28

	2021	**2022**	**2023**	**2024**
Loss from operations	(51,451)	(283,089)	(695,660)	(1,167,302)
Repayment of debt	245,449	434,128	508,875	473,748
Interest expense	271,027	475,800	486,395	514,360
Accounts payable	163,169	322,915	736,116	1,643,026

(d) As a result of its stretched working capital, the Proposed Monitor understands the Company's suppliers have significantly reduced the availability of credit, requiring "cash on demand" payment for continued procurement of goods and services to operate in the ordinary course. The Proposed Monitor understands that because of outstanding remittances, CRA is currently directing all HST refunds to pay down the Company's arrears, further reducing available liquidity;

(e) In October of 2024, the Company applied for assistance pursuant to the Farm Debt Mediation Act 5.1b (financial counselling and mediation without a stay of proceedings), which led to the FDMA Report. The FDMA Report highlights actions the Company has taken and further steps it can take to improve ongoing operations; it also indicates that significant asset value exists, however concludes that the business is fundamentally over levered and "…cannot continue as is".

22. As at the date of this Pre-Filing Report, the Proposed Monitor understands the Company is facing a liquidity crisis, is unable to pay its debts as they come due and has no further credit available from its current facilities or suppliers. On February 17, 2025, RBC issued its section 244(1) Notice of Intention to Enforce under the *Bankruptcy and Insolvency Act* ("**RBC Demand**"), requiring payment in full of balances outstanding to RBC within 10 days. The Proposed Monitor understands the Company cannot satisfy the RBC Demand and does not believe it can sustainably continue operations moving forward without a formal insolvency process to restructure its financial affairs.

<u>Assets</u>

23. As at the date of this Pre-Filing Report, the Proposed Monitor understands the Company's core assets comprise primarily of the following:

(a) 8,364 liters of fluid milk quota, of which 932 liters are unsalable ("**Quota**");

(b) Approximately 300 milk cows, 40 dry cows and 300 replacement animals ("**Livestock**");

(c) dairy production buildings located at 191 Goose Arm Road in Deer Lake, NL ("**Buildings**"), associated farming equipment used in operations ("**Equipment**") and a personal residence ("**Residence**") located on the farm site where the Cameron Brothers and their families reside; and

(d) approximately 1950 acres of land spread across Goose Arm, Reidville, and Cormack ("**Land**"), inclusive of the Buildings and Residence and 950 acres of cleared land, approximately 700 of which are parcels leased from the Government of Newfoundland of Labrador ("**GNL**") and various other landowners.

24. The Company's most recent externally reviewed financial statements for the year ended February 29, 2024 is attached to the Cameron Affidavit and demonstrates two years of increasing operational losses. The internal draft financial statements as at January 31, 2025, which have not been externally reviewed and do not include potential year end accounting adjustments, include the following assets:

Nemori Farms Ltd. Draft Internal Financial Statements: Jan 31, 2025	
Assets	
Current Assets	
Cash, net of line of credit	290,039
Receivables, including GST/HST	553,286
Deposits and prepaids	184,348
Feed and Supplies	354,239
Total Current Assets	**1,381,912**
Capital Assets	
Land	2,218,000
Equipment	1,058,970
Building	5,126,293
Dairy Herd	1,984,099
Milk Quota	7,702,000
Long Term Investment	10,000
Total Capital Assets	**18,099,362**
Total Assets	**19,481,274**

25. The Proposed Monitor cautions that the book value of the Company's capital assets, while substantial, may not reflect current market or lending value, in particular the Milk Quota which has a book value of $7.7 million. The available cash per the Cash Flow Forecast, starting on March 10, 2025 is approximately $5,000.

26. The Proposed Monitor notes that the Company's internal draft financial statements for the 11 months ended January 2025 appear to reflect the impact of operational improvements highlighted by the FDMA Report, with unadjusted positive net income of approximately $196k over the period. While this demonstrates an improvement over prior years, the Proposed Monitor notes these internal draft statements have not yet been reviewed by the Company's external accountant, which the Proposed Monitor notes may result in accounting "year end" adjustments that could negatively impact current draft results.

Creditors

27. The Proposed Monitor understands the Company's creditors are as follows, with amounts estimated from the draft internal financial statements as at January 31, 2025:

Nemori Farms Ltd. Draft Internal Financial Statements: Jan 31, 2025	
Priority Creditors	
CRA- Source Deductions	214,077
Total Priority Creditors	**214,077**
Secured Creditors	
RBC	9,346,469
Headline	3,585,513
Equipment- Capital Lease	309,424
Total Secured Creditors	**13,241,406**
Unsecured Creditors	
Trade Payable	2,154,281
Accrued Liabilities	48,032
Future Income Tax Liability	177,210
Government Remittances	180,878
Total Unsecured Creditors	**2,560,401**
Total Estimated Indebtedness	**16,015,884**

28. Section 3(1) of the CCAA states that the CCAA applies to insolvent debtor companies with total liabilities greater than $5,000,000. Nemori has estimated combined liabilities in excess of $16 million; as such, Nemori is a debtor corporation to which the CCAA applies.

Secured Creditors

29. Royal Bank of Canada:

(a) The Proposed Monitor understands the Company's senior secured creditor is RBC, who is currently owed in excess of $9.4 million secured by, among other things, a collateral mortgage against the Company's real property, a general security agreement, an assignment of Milk Quota and personal guarantees of $1 million from each of the Cameron Brothers.

(b) As noted in the Cameron Affidavit, the Company was transferred to RBC's special loans department in 2023, which the Proposed Monitor understands was because of several defaults under the Company's loan agreements with RBC and operational losses reported in Nemori's 2022 and 2023 fiscal years of approximately $0.28 million and $0.695 million respectively.

(c) The Proposed Monitor is advised that the Company and RBC entered into a forbearance agreement and various amendments thereto starting in June, 2023 (“**Forbearance Agreement**”), to which RBC agreed to forbear from exercising its right to enforce on its security and guarantees, subject to the Company meeting certain performance covenants, providing various deliverables, and meeting restructuring milestones such as the sale of certain lands and the purchase of cattle to increase milk production;

(d) The Proposed Monitor understands that the Company did meet certain of the restructuring milestones outlined in the Forbearance Agreement, which was extended or amended various times throughout 2023 and 2024;

(e) As noted above, in October of 2024 the Company applied for assistance pursuant to the Farm Debt Mediation Act 5.1b, whereby a qualified financial consultant with farming expertise was assigned to the Company to provide financial counselling and mediation services. The Proposed Monitor is advised that the recovery plan developed between the Company and the Farm Debt Mediation Service consultant was discussed with RBC, however was not sufficiently advanced between the parties to be acceptable to RBC at that time.

(f) As outlined in the Cameron Affidavit, on February 17, 2025 RBC issued the RBC Demand, providing ten days for the Company to satisfy its obligations in full to RBC.

30. Headline VTB Loan:

(a) The Proposed Monitor understands the VTB Loan executed in July 2020 has a term of 21 years with varying interest rates applied to the unpaid balance over its term, is secured against the Company’s real property with a general security agreement and is subordinated to RBC.

(b) As part of the original purchase agreement between the Company and Headline, the Proposed Monitor understands that a right of first refusal exists (“**Headline ROFR**”), whereby Headline has the right to purchase the Company and its assets if the Company elected to sell its business and associated assets or if the Company was *“… at risk of defaulting under its loan agreements with RBC, such that RBC may be in a position to exercise its rights to call in the [Company’s] loan*”. The Proposed Monitor understands that the Headline ROFR would be terminated upon the repayment in full of the VTB Loan.

31. Equipment Financiers:

(a) The Proposed Monitor understands that the Company has equipment financing from approximately five different lenders, which financing is secured over specific pieces of the Company's equipment.

32. Should the Initial Order be granted, the Proposed Monitor intends to have an independent security review completed as it relates to all security held against Nemori's assets and/or undertakings.

Debtor in Possession Financing

33. As outlined in the Cameron Affidavit, the Company is facing a liquidity crisis and will require interim financing ("**DIP Financing**") to pursue a restructuring of the business in the proposed CCAA Proceedings. The Cash Flow Forecast prepared by the Company in consultation with Resolve and the Monitor indicates the Company will require at least $575,000 of DIP Financing through the first 13 weeks of the proposed CCAA Proceedings, of which $250,000 is required imminently in the week commencing March 10, 2025.

34. In an effort to collaborate with RBC as the Company's senior secured creditor towards a restructuring of the business that benefit all stakeholders, on February 26, 2025 Nemori's counsel requested RBC provide it with a DIP Financing term sheet for consideration. The Proposed Monitor is advised that the Company, its counsel and Resolve further solicited the opportunity to provide interim financing from three other parties.

35. As at the date of this Pre-Filing Report, the Proposed Monitor understands the Company and its advisors are working towards finalizing a DIP Financing term sheet and expect to be in a position to advance the DIP Financing for approval at the Comeback Hearing.

36. The Proposed Monitor notes that the Company has sufficient liquidity to operate until the proposed Comeback Hearing of March 7, 2025. Pursuant to the Cash Flow Forecast, the Company will require DIP Financing during the week of March 10, 2025.

Preliminary Restructuring Plan

37. As at the date of this Pre-Filing Report, the Company and its advisors are continuing to explore what restructuring opportunities may exist that will allow Nemori to exit the Proposed CCAA Proceedings as a going concern, avoid the economic fallout of a liquidation and maximize value for its stakeholders. The Proposed Monitor understands the requested relief pursuant to the CCAA is intended to allow the Company the requisite "breathing room" and interim financing to continue operations while further narrowing its restructuring options, which include, among others:

    (a) Refinancing of existing credit facilities, which may include partnerships with government or alternative lenders;

    (b) Initiating a sales and investment solicitation process to market the opportunity to invest in or purchase the business as a going concern;

    (c) Pursue various operational improvements as outlined in the FDMA Report, which may increase the Company's profitability and capacity to service debt;

    (d) Pursuing potential equity investment or partnerships to restructure the Company's balance sheet; and

    (e) Exploring a plan of compromise or arrangement with creditors.

38. The Proposed Monitor understands the Company and its advisors intend to continue dialogue with RBC as the Company's senior secured creditor as Nemori explores its restructuring alternatives, prior to seeking the ARIO at the Comeback Hearing. Should GTL be appointed as Monitor in the proposed CCAA Proceedings, it will work with the Company, Resolve and Nemori's stakeholders to expediently advance its restructuring plans in light of the Cash Flow Forecast.

Cash Flow Forecast

39. The Company, with assistance from Resolve and the Proposed Monitor, prepared the Cash Flow Forecast attached in the Cameron Affidavit with an executed copy attached hereto as **Appendix "B**" covering the period of March 10, 2025, to June 8, 2025 (the

"**Cash Flow Period**"). The Cash Flow Forecast was prepared on the assumption that, among other things, the Company's' operations will continue in the ordinary course.

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

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

42. Based on the Proposed 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 Cash Flow Forecast;

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

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

43. The Company expects its cash position at the commencement of the CCAA Proceedings to be approximately $5k. The Company has advised it believes the Cash Flow Forecast may be conservative in certain respects and that operational cash receipts may improve from additional cows recently purchased and increased production per head, however the

forecasted receipts have been projected to be consistent with recent actuals. The Cash Flow Forecast demonstrates that the Company will require approximately $575,000 in interim financing to fund operations and the restructuring costs over the Cash Flow Period.

Summary of the Cash Flow Forecast For the period of March 10, 2025 to June 8, 2025		
		Weeks 1-13
Operational cash receipts		1,099,250
Operational cash disbursements		(1,258,953)
Cash Flows from Operations	**$**	**(159,703)**
Operational improvement costs		(61,500)
Net Cash before Restructuring	**$**	**(221,203)**
Restructuring fees		(283,750)
DIP interest and commitment fee		(25,337)
Cash Flows from Restructuring	**$**	**(309,087)**
Opening cash balance		5,000
DIP financing		575,000
Net cash flow		(530,290)
Ending Cash Balance		**49,710**

44. The Proposed Monitor makes the following general comments on the Cash Flow Forecast, based on its discussions with Management, RBC's financial advisor and Resolve:

(a) Cash Receipts relate to the collection of milk revenues based on the Company's estimated monthly production, which is forecasted to be similar to January actuals. A fixed payment advance is provided at the start of every month for the previous months production, with the balance paid net of freight, levies and other charges by month end;

(b) Material operational disbursements include feed, payroll, crop supplies and estimated repairs, maintenance and veterinary care. The Proposed Monitor understands that crop supplies are an estimated one-time payment of $150k, and include seeds, fertilizer and grains required to plant in May to grow feed for the herd. Outside one-time expenditures to top up current feed and crop supplies and others discussed below, the Proposed Monitor understands that the projected cash disbursements are consistent with the level of operations recently experienced and as contemplated by Management, that the Cash Flow Forecast contemplates no interruption in wages and disbursements to the Company's employees, and that vendors are expected to be paid in accordance with existing and/or modified credit terms;

(c) Operational improvements include $106k in Week 2 for the installation of a ventilation system to address heat stress for the herd and therefore maintain production levels, as outlined in the FDMA Report. The Proposed Monitor understands these expenditures relate to the Company's enrolment in the Province of Newfoundland and Labrador's Mitigating Agricultural Risks program, where the province reimburses 75% of costs on eligible expenditures. The Proposed Monitor is advised the Company has incurred approximately $30k in costs to date, has received $53k in respect of the program, that it must be completed prior to April 1, 2025, and that the remaining government reimbursement is expected 6-8 weeks after completion;

(d) The Company has forecasted a payment of $77k at the end of March related to 30 milk cows and 2 head delivered from Scotia Cattle Company on February 23, which Nemori contemplates paying for post-filing and to which 28 culled animals have already been delivered to Scotia Cattle Company. The Proposed Monitor understands that Nemori takes the position that the additional cows are required to increasing operational cash flow in the Cash Flow Period; and

(e) Professional fees for the Monitor, its counsel, Resolve and the Company's legal counsel in respect of the proposed CCAA Proceedings are estimates of hours incurred by the respective professionals at their standard rate and charge through the Cash Flow Period.

45. Since the 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 Proposed Monitor expresses no assurance as to whether the Cash Flow Forecast will be achieved. The Proposed Monitor expresses no opinion or other form of assurance with respect to the accuracy or completeness of any financial information presented in this Pre-Filing report or relied upon by the Proposed Monitor in preparing this Pre-Filing Report.

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

47. The Cash Flow Forecast indicates that, without the DIP Facility, the Company will not have sufficient liquidity to continue operations.

Proposed Court Ordered Charges

48. The proposed Initial Order provides for charges ("**Charges**") on the Company's Property to rank ahead of Existing Security, as defined in the Initial Order:

(a) First – the administration charge (the "**Administration Charge**") for an amount of $150,000.

(b) Second- the D&O Charge of $100,000,

49. Should the Court grant the Initial Order, it is anticipated that the Company will seek amendments to the Charges at the Comeback Hearing for the ARIO, initially contemplated as follows:

(a) First – the Administration Charge at $250,000;

(b) Second – the debtor in possession financing charge ("**DIP Charge**"), currently expected to be $600,000; and

(c) Third – the D&O Charge of $100,000 (collectively, the "**Charges**").

<u>Administration Charge</u>

50. The Proposed Initial Order contemplates the Monitor, the Monitor's Counsel, Resolve and the Company's counsel be granted a Court-ordered charge on the assets of the Company as security for professional fees and disbursements relating to services rendered in respect of the proposed CCAA Proceedings (whether incurred prior to or after the commencement of the CCAA proceedings) at their standard rates and charges in an amount not to initially exceed CAD $150,000.

51. The Proposed Monitor understands the Company is seeking to include Resolve as its Financial Advisor in the Administration Charge. As noted above, the Proposed Monitor understands Resolve has been working with the Company in respect of its cash flows and a potential restructuring since August of 2024, and based on discussions with Management and a review of the Cameron Affidavit, the Proposed Monitor is of the view Resolve's experience and skillset will be critical to the Company advancing a restructuring

in the Proposed CCAA Proceedings. The Proposed Monitor understands that RBC as the Company's senior secured creditor is supportive of Resolve's assistance to the Company.

52. The initial Administration Charge threshold has been established based on the various professionals' previous history, experience with restructurings of similar magnitude and complexity, and expected professional fees incurred through the Comeback Hearing. Should the Initial Order be granted, the Proposed Monitor is of the view that the proposed Administration Charge is required and reasonable in the circumstances given the expected complexity of the proceedings and the liquidity available in the Cash Flow Forecast.

53. Based on the above, the Proposed Monitor respectfully recommends that the Company's request for the Administration Charge be granted by this Court.

Directors and Officers Charge

54. The Initial Order contemplates a Directors' Charge in the amount of $100,000 be granted in favour of the Cameron Brothers as directors and officers of the Company. It is the Proposed Monitor's view that the continued support and service of the directors and officers during the CCAA Proceedings are critical to the Company's ability to preserve value and maximize recovery for stakeholders.

55. The Proposed Monitor understands the quantum of the proposed Directors' Charge based on estimated amounts for which directors could potentially have statutory personal liability not covered by insurance, including certain taxes, wages, salaries and applicable withholdings, benefits and accrued vacation pay.

56. The Proposed Monitor is not aware of any D&O insurance held by the Company. The Proposed Monitor notes that the directors and officers would only be entitled to the benefit of the Directors' Charge to the extent that insurance coverage, if available, is fully used, or to the extent that such coverage is insufficient to pay amounts for which the directors and officers are entitled to be indemnified pursuant to the provisions of the Initial Order.

57. Accordingly, the Proposed Monitor respectfully recommends that the Company's request for the Directors' Charge be granted by this Court.

Company's Request for Pre-Filing Payments

58. The Company is seeking within the Initial Order the Court's approval to make pre-filing payments with the consent of the Monitor, in such capacity, and only to suppliers that are deemed critical to the Company's ongoing business operation and which are required to preserve the value of the Company's business or property (the "**Critical Suppliers**").

59. The Proposed Monitor recognizes that Courts across the Country have accepted that payments of certain pre-filing arrears are not uncommon in CCAA proceedings pursuant to section 11.4 of the CCAA, but must be used sparingly and minimized to avoid preferential payments and prejudice to the interests of all creditors. The Proposed Monitor has discussed the potential suppliers noted by the Company as being critical, and has advised the Company that any pre-filing payment to a Critical Supplier must be justified to the Monitor as (1) critical to the business or preservation of property (2) the delivery of goods or services supplied cannot be easily or economically replaced and (3) without continued supply it would negatively impact the Company's ability to operate and pursue a restructuring in these CCAA Proceedings. Any pre-filing payments to Critical Suppliers would be disclosed to the Court and to creditors in a subsequent Monitor's report.

60. The Proposed Monitor is supportive of the Company's request considering the nature of the Applicants' suppliers and where such flexibility may be required to maintain operations and the opportunity to complete a successful restructuring.

Good Faith and Due Diligence

61. As at the date of this Report, the Proposed Monitor:

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

(b) is not of the view that it would be more beneficial to the Company's creditors if proceedings were taken under the *Bankruptcy and Insolvency Act*, pursuant to section 23(1)(h) of the CCAA.

Need for a Stay of Proceedings and Relief Pursuant to the CCAA

62. The Company is facing a liquidity crisis, is unable to pay its debts as they come due, cannot satisfy the RBC Demand and the matters as outlined in the Cameron Affidavit indicate the Company is facing significant financial strain. The proposed CCAA Proceedings, including the stay of proceedings and Court ordered Charges, will allow the Company to continue operations through the Comeback Hearing, where the Proposed Monitor understands the Company will seek further orders of this Court to advance a Court supervised restructuring of its affairs.

63. For the reasons set out in this Pre-Filing Report, the Proposed Monitor is of the view that the relief requested by the Company is reasonable and respectfully recommends that this Court make an Order granting the requested relief.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 5th day of March, 2025.

GRANT THORNTON LIMITED, SOLELY IN ITS CAPACITY AS PROPOSED MONITOR OF NEMORI FARMS LTD.
AND NOT IN ITS CORPORATE OR PERSONAL CAPACITY

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

Appendix A

Monitor’s Consent to Act

2025 ______________

IN THE SUPREME COURT OF NEWFOUNDLAND AND LABRADOR

IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF an application of Nemori Farms Ltd

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

CONSENT TO ACT

Grant Thornton Limited consents to act as an officer of this Court and to act as Monitor of Nemori Farms Ltd. pursuant to any order made by this Court under the *Companies Creditors Arrangement Act*.

Dated at Halifax, Nova Scotia, this 3rd day of March 2025.

GRANT THORNTON LIMITED

Per: ______________________
Name: Liam Murphy, CPA, CA, CIRP, LIT
Title: Senior Vice President

Appendix B

Cash Flow Forecast

Nemori Farms Ltd.
13-Week Cash Flow Projection - Prepared by Management
March 10, 2025 to June 8, 2025

	Notes	Week 1 Projected 10-Mar-25 16-Mar-25	Week 2 Projected 17-Mar-25 23-Mar-25	Week 3 Projected 24-Mar-25 30-Mar-25	Week 4 Projected 31-Mar-25 6-Apr-25	Week 5 Projected 7-Apr-25 13-Apr-25	Week 6 Projected 14-Apr-25 20-Apr-25	Week 7 Projected 21-Apr-25 27-Apr-25	Week 8 Projected 28-Apr-25 4-May-25	Week 9 Projected 5-May-25 11-May-25	Week 10 Projected 12-May-25 18-May-25	Week 11 Projected 19-May-25 25-May-25	Week 12 Projected 26-May-25 1-Jun-25	Week 13 Projected 2-Jun-25 8-Jun-25	Total Projected 10-Mar-25 8-Jun-25
Opening Cash Position		5,000	219,000	15,449	87,449	45,804	23,304	108,003	21,003	34,499	56,499	147,448	79,448	10,594	5,000
Projected Receipts:															
Milk Revenue (Advance)	[1]	–	–	–	84,750	–	–	–	84,750	–	–	–	–	84,750	254,250
Milk Revenue (Remainder)	[2]	–	275,000	–	–	–	275,000	–	–	–	275,000	–	–	–	825,000
HST	[3]	–	–	–	–	–	–	–	20,000	–	–	–	–	–	20,000
DIP loan proceeds		250,000	–	200,000	–	–	–	125,000	–	–	–	–	–	–	575,000
Total Projected Receipts		**250,000**	**275,000**	**200,000**	**84,750**	**–**	**275,000**	**125,000**	**104,750**	**–**	**275,000**	**–**	**–**	**84,750**	**1,674,250**
Projected Disbursements:															
Feed	[4]	–	250,000	–	–	–	125,000	–	–	–	125,000	–	–	–	500,000
Payroll deductions		–	–	–	22,000	–	–	–	22,000	–	–	–	–	22,000	66,000
Payroll		15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	195,000
Employee RRSP	[5]	–	1,000	–	–	–	–	–	–	–	–	–	–	–	1,000
Crop supplies	[6]	–	–	–	–	–	–	150,000	–	–	–	–	–	–	150,000
Fuel	[7]	–	6,000	–	–	–	–	12,000	–	–	–	20,000	–	–	38,000
Cell phone		–	–	–	400	–	–	–	400	–	–	–	–	–	800
Cow purchase (net)	[8]	–	–	77,000	–	–	–	–	–	–	–	–	–	–	77,000
Blue cross		–	1,551	–	–	–	1,551	–	–	–	1,551	–	–	–	4,653
Utilities		–	14,000	–	–	–	–	14,000	–	–	–	12,000	–	–	40,000
Repairs, maintenance and veterinary care		7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	97,500
Accounting and administrative	[9]	3,500	–	3,500	–	–	–	3,500	–	–	–	3,500	–	–	14,000
Insurance		–	–	10,000	–	–	–	10,000	–	–	–	10,000	–	–	30,000
Critical accounts payable	[10]	–	15,000	15,000	15,000	–	–	–	–	–	–	–	–	–	45,000
Operating disbursements		**26,000**	**310,051**	**128,000**	**59,900**	**22,500**	**149,051**	**212,000**	**44,900**	**22,500**	**149,051**	**68,000**	**22,500**	**44,500**	**1,258,953**
Net operating cash flows		**224,000**	**(35,051)**	**72,000**	**24,850**	**(22,500)**	**125,949**	**(87,000)**	**59,850**	**(22,500)**	**125,949**	**(68,000)**	**(22,500)**	**40,250**	**415,297**
Operational Improvement															
SCAP program	[11]	–	(106,000)	–	–	–	–	–	–	44,500	–	–	–	–	(61,500)
Net cash flows prior to professional fees		**224,000**	**(141,051)**	**72,000**	**24,850**	**(22,500)**	**125,949**	**(87,000)**	**59,850**	**22,000**	**125,949**	**(68,000)**	**(22,500)**	**40,250**	**353,797**
Financing and Professional fees															
DIP fees and interest		10,000	–	–	3,995	–	–	–	5,104	–	–	–	5,104	1,134	25,337
Monitor		–	20,000	–	20,000	–	15,000	–	15,000	–	15,000	–	15,000	–	100,000
Monitor legal counsel		–	10,000	–	10,000	–	7,500	–	7,500	–	7,500	–	7,500	–	50,000
Financial advisor		–	7,500	–	7,500	–	6,250	–	6,250	–	–	–	6,250	–	33,750
Company legal		–	25,000	–	25,000	–	12,500	–	12,500	–	12,500	–	12,500	–	100,000
Total professional fees		10,000	62,500	–	66,495	–	41,250	–	46,354	–	35,000	–	46,354	1,134	309,087
Net cash flows		214,000	(203,551)	72,000	(41,645)	(22,500)	84,699	(87,000)	13,496	22,000	90,949	(68,000)	(68,854)	39,116	44,710
Closing Cash Position		**219,000**	**15,449**	**87,449**	**45,804**	**23,304**	**108,003**	**21,003**	**34,499**	**56,499**	**147,448**	**79,448**	**10,594**	**49,710**	**49,710**

Purpose and Disclaimer

Purpose:

This statement of projected cash flow ("Cash Flow Forecast") has been prepared for Nemori Farms Ltd. ("Company") in accordance with s. 23(1)(b) of the Companies Creditors' Arrangement Act ("CCAA") for the period of March 10, 2025 to June 8, 2025 ("Cash Flow Period"). The Company has prepared the Cash Flow Forecast based on probable and hypothetical assumptions that reflect the Company'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 Company 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 Company 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] Fixed payment at the start of every month for previous month production ("Advance").
[2] Projected monthly sales net of Advance, freight, levies and other charges.
[3] Estimated HST recoverable for one month of expenses, returns filed quarterly.
[4] First purchase of feed replenishes stock, returning to schedule of purchasing 30 days supplies thereafter.
[5] Unremitted staff deductions.
[6] Purchase of seeds, fertilizer grains required to plant in May in order to grow feed for cattle.
[7] Increases with activity, such as spreading manure and seeding in spring.
[8] Net amounts owing for cows acquired in February, 2025 required to generate projected revenues, net of culled animals.
[9] Payment to contracted accountant resource.
[10] Represents estimate of potential payments required to critical suppliers of the company which may include pre-filing amounts, subject to the Monitor's approval.
[11] The Company is enrolled in the Province of Newfoundland and Labrador's Mitigating Agricultural Risks program. The Company has incurred approximately $30,000 in costs and received a $53,000 advance in respect of the program. The government contribution equates to 75% of total amounts spent. The project was for the installation of a ventilation system to address heat stress for the cows and therefore maintain production levels. The program is required to be completed prior to April 1, 2025.

As of March 5, 2025

Signed by:

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Sheldon Cameron
Co-owner, Secretary-Treasurer, Director
Nemori Farms Ltd.