Court File No. 2025 01G 1510

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

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

April 22, 2025

Doane Grant Thornton

Grant Thornton Limited
Monitor

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Introduction

1. Pursuant to an order ("**Initial Order**") issued by the Supreme Court of Newfoundland and Labrador in Bankruptcy and Insolvency (**"Court"**) on March 6, 2025, Nemori Farms Ltd. (the "**Company**") was granted protection under the *Companies' Creditors Arrangement Act,* R.S.C. 1985, c. C-36 ("**CCAA**"). The Initial Order, among other things:

   (a) appointed Grant Thornton Limited as monitor (in such capacity, 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 March 14, 2025 (the "**Stay of Proceedings**"); and

   (c) granted an administration charge of $150,000 (the "**Administration Charge**") securing the fees and expenses of the Monitor, counsel to the Monitor, and counsel to the Company in respect of the CCAA Proceedings.

2. On March 14, 2025, the Court granted the Amended and Restated Initial Order ("**ARIO**"), attached as **Appendix "A"**, which amongst other things:

   (a) further extended the Stay of Proceedings to April 25, 2025;

   (b) confirmed the appointment of Grant Thornton Limited as Monitor;

   (c) increased the Administration Charge to $175,000; and

   (d) approved the Debtor-in-Possession Term Sheet ("**DIP Term Sheet**") with the Royal Bank of Canada (in such capacity, the "**DIP Lender**") to provide interim financing in these CCAA Proceedings up to the maximum principal amount of $600,000 ("**DIP Facility**"), as well as a charge on the Company's property (the "**DIP Charge**") ranking only subordinate to the Administration Charge.

3. This second report of the Monitor ("**Second 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/Nemori. 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 Company's background and insolvency proceedings:

Reports to the Court:

(a) Pre-Filing Report, dated March 5, 2025

(b) First Report, dated March 13, 2025

Orders of the Court:

(c) Initial Order, dated March 6, 2025

(d) ARIO, dated March 14, 2025

Purpose of the Second Report

4. This Second Report has been prepared by the Monitor to provide the Court and the Company's stakeholders with the following:

(a) an update on the operations and activities of the Company, its counsel and advisors since the date of the First Report;

(b) an update on the Monitor's activities since the date of the First Report and granting of the ARIO;

(c) an update on the Company's actual performance relative to the Cash Flow Forecast in the First Report;

(d) the Monitor's views of the Company's revised cash flow forecast ("**Revised Cash Flow Forecast**");

(e) the Monitor's views and recommendations on the Company's application to the Court to:

i. approve the proposed sales and investment solicitation process ("**SISP**") to be undertaken by the Monitor in these CCAA Proceedings;

ii. increase the Administration Charge from $175,000 to $250,000;

iii. extend the Stay of Proceedings up to and including June 30, 2025;

iv. if an amended DIP Term Sheet has been negotiated and finalized, increase the available borrowings under the DIP Term Sheet to the maximum principal amount of $825,000, with a corresponding increase to the DIP Charge; and

v. approve the activities of the Company and the Monitor to the date of this Second Report.

Terms of Reference

5. In preparing this Second Report, the 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 the Company's 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 Company, 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 this 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, the Company's advisors, directors of the Company, and other Company 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 report is based solely on the Information (financial or otherwise) made available to the Monitor by the Company, Management and other stakeholders.

8. This report has been prepared for the use of this Court and the Company's stakeholders as general information relating to the Company and these 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 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 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 Monitor's previous reports, orders of the Court in these CCAA Proceedings, or the March 3, 2025 affidavit of Sheldon Cameron ("**Cameron Affidavit**").

Activities of the Company

10. Since the date of the First Report, the Monitor understands that the Company and its advisors have, among other things:

(a) managed the day-to-day operations of the farm in the ordinary course;

(b) continued to meet with the Monitor and the Company's financial advisor, Resolve Advisory Services ("**Resolve**"), to discuss the Company's financial circumstances, expenditures pursuant to the Cash Flow Forecast, the capital required to maximize output from farming operations, and other matters related to ongoing operations and these CCAA Proceedings;

(c) canvassed for a potential refinancing of, or investment in, the business, which efforts are discussed further below;

(d) reported to the Monitor and the DIP Lender on actual performance relative to the Cash Flow Forecast, in accordance with the DIP Term Sheet;

(e) reviewed the Cash Flow Forecast and provided information on the financial position of the Company as requested by the Monitor and the DIP Lender;

(f) developed the Revised Cash Flow Forecast, with assistance from Resolve;

(g) communicated with creditors regarding the CCAA Proceedings, including with respect to the process for the continuation of supply and services and the impact of the Stay of Proceedings; and

(h) assisted legal counsel and the Monitor with information required in preparation for the Company's application to the Court on April 24, 2025 as well as this Second Report.

Activities of the Monitor since the First Report

11. Since the First Report, the Monitor's activities have included, among other things:

(a) collaborating with the Company, its counsel and Resolve to explore options for the Company to restructure its affairs in these CCAA Proceedings, including a potential plan of arrangement, refinancing and the SISP;

(b) assisting the Company and its counsel in reviewing and soliciting refinancing and/or investment opportunities, which included, among other things:

i. assisting the Company in corresponding with interested parties regarding the opportunity for refinancing, investment, and/or land leases;

ii. connecting interested parties who contacted the Monitor with the Company and Resolve; and

iii. responding to any questions from interested parties, as applicable;

(c) assisting the Company and its counsel search for qualified parties to conduct appraisals of the Company's property as required by the DIP Term Sheet;

(d) with the assistance of the Monitor's counsel, reviewing the Company's various equipment leases to determine whether they are "operating" or "financing" leases, and discussing the impact of the Stay of Proceedings on such leases, if any, with the Company;

(e) assisting the Company with the development of the SISP;

(f) attending calls with the Company, Company counsel, and Resolve to:

i. review the budget to actual results of the Company during the CCAA Proceedings and understand operations generally;

ii. review and prepare the Revised Cash Flow Forecast;

iii. discuss the results of the Company's efforts in seeking potential refinancing and/or investments;

iv. review the Company's equipment leases and consider same in the context of the Stay of Proceedings; and

v. discuss the proposed SISP, as contemplated by the DIP Term Sheet;

(g) attending calls with the DIP Lender and its financial advisors to:

i. provide updates on the budget to actual results of the Cash Flow Forecast, the reporting provided by the Company and Resolve in respect of the Company's refinancing efforts, and the Monitor's understanding of the Company's intended plan of action and application;

ii. discuss the Revised Cash Flow Forecast and the Company's need for further incremental financing to continue operations in these CCAA Proceedings; and

iii. discuss the design, timeframe and implementation of the proposed SISP. For certainty, the potential for accepting a stalking horse bid in the SISP (discussed further below) was not contemplated by the Monitor prior to discussing same with the Company on April 22, 2025, and versions of the proposed SISP reviewed and commented on by the DIP Lender pursuant to the DIP Agreement did not include this possibility.

(h) maintaining a stakeholder website for these CCAA Proceedings at www.DoaneGrantThornton.ca/Nemori; and

(i) preparing this Second Report.

Performance Relative to Cash Flow Forecast

12. A summary of the Company's budget to actual results compared with the Cash Flow Forecast included in the Pre-filing Report of the Monitor is attached hereto as **Appendix "B"** (the "**Cash Flow Variance Report**") and summarized in the table below:

Nemori Farms Limited Budget to Actuals - Variance Report Weeks 1-4	**Weeks 1-4 March 10, 2025 - April 6, 2025 Budget**	**Actual**	**Variance**
Cash Receipts	809,750	765,920	(43,830)
Operational Disbursements	523,951	507,381	(16,570)
Net Operating Cash Flows	**285,799**	**258,539**	**(27,260)**
Operational Improvement (SCAP Program)	(106,000)	(109,064)	(3,064)
Net Cash Flows prior to Professional Fees	**179,799**	**149,475**	**(30,324)**
Professional Fees	138,995	73,269	(65,726)
Total Net Cash Flow	**40,804**	**76,206**	**35,402**
Opening Cash Balance	5,000	25,432	20,432
Net Cash Flow	40,804	76,206	35,402
Ending Balance	**45,804**	**101,639**	**55,835**

13. Based on the Monitor's continuous review of the cash flows and discussions with the Company and Resolve, the Monitor's comments on the material variances between the Company's actual cash flows for the period to April 6, 2025 (Week 4), compared to the Cash Flow Forecast is as follows:

(a) Cash Receipts are below budget by $44,000, a negative permanent difference not expected to be recovered in the cash flow period. The Monitor understands this variance is primarily the result of a lower production per cow due to a weather event causing disruptions to the animals' water supply, which issue has since been resolved.

(b) Cash Receipts include $450,000 of the DIP Facility which was forecasted to be drawn upon. As at the date of this Second Report, the Company has drawn $575,000 of the available $600,000 pursuant to the DIP Term Sheet, and in line with the Cash Flow Forecast.

(c) Operational Cash Disbursements are overall greater than budget by $16,600, primarily due to higher repairs and maintenance activity than forecast. The Monitor understands the Company was required to spend funds on several repairs that could not be delayed or avoided without the disruption of milk supply.

(d) Professional Fees through Week 4 were lower than budget by $66,000, a result of timing differences of when invoices were paid. Given the extensive involvement of the professionals since the date of the First Report, the Monitor expects actual costs to date for Professional Fees to be slightly higher than forecast on an accrual basis.

14. While several timing differences exist in reported budget to actual results to the date of this Second Report, based on discussions with the Company and Resolve, the Monitor understands that overall operating expenditures were approximately $50,000 higher than forecast considering all variances, which is a negative permanent difference. Combined with the negative permanent difference resulting from reduced milk receipts, the Monitor estimates the Company is approximately $100,000 behind on its forecast through the date of this Second Report. The Monitor understands this negative permanent difference is primarily a result of the challenging asset base, operating environment, and one time impacts from factors outside the Company's control that are consistent with farming operations.

Refinancing efforts

15. To date the Monitor understands that the Company and Resolve have reached out to multiple parties to seek a refinancing of or investment in the business, including chartered banks, agricultural and farm specific lenders, lenders involved with land leases, lending groups and private equity, and individual investors in the agricultural and dairy industry.

16. Pursuant to the DIP Term Sheet, the Company had a period of approximately 30 days to seek a refinancing of its outstanding debts, failing which the Company agreed to work with the Monitor to develop and implement a SISP.

17. Since the Initial Order, the Monitor understands the Company has diligently worked with its legal counsel and Resolve to develop and present a financing package to potential lenders and investors as part of a restructuring option in these CCAA Proceedings. The Monitor understands this process to date has included, amongst other things:

    (a) presenting and discussing the Company's business plan, inclusive of an extended 3-year cash flow forecast, with over 18 stakeholders, including various lenders and parties who the Company had identified as potential partners or investors in the business, as well as the Province of Newfoundland and Labrador ("**PNL**");

    (b) exploring opportunities for the acquisition of more livestock and/or quota to increase farm production capacity;

    (c) executing an engagement letter with Castle Appraisals Ltd. ("**Castle**") to provide the Company, the DIP Lender and the Monitor with updated appraisals on the Company's equipment, pursuant to the DIP Term Sheet, and to assist potential lenders in understanding available collateral. The Monitor understands that Castle attended Nemori's operations on April 10-11, 2025 and delivered its report to the Monitor on April 21, 2025;

    (d) executing an engagement letter with RPS Appraisals ("**RPS**") to provide an appraisal of the Company's real property, pursuant to the DIP Term Sheet, and to assist potential lenders in understanding available collateral. As at the date of this Second Report, the Monitor understands a site visit was conducted on April 17, 2025 and that a report on same is expected before the commencement of the proposed SISP; and

(e) responding to inquiries from potential lenders and investors regarding the opportunity to refinance or otherwise restructure the Company.

18. Despite the extensive efforts of the Company and its advisors, the Monitor understands that, as at the date of this Second Report, no practical opportunity for refinancing or investment is available to the Company; however, several parties have indicated they may be willing to participate in the SISP. As no refinancing transaction is available, pursuant to the requirements outlined in the DIP Term Sheet, the Monitor, in consultation with the Company and the DIP Lender, has developed the proposed SISP, discussed further below.

Proposed Sales and Investment Solicitation Process

19. The Monitor, in consultation with the Company, Resolve, and the DIP Lender has developed the proposed SISP, which is summarized below and attached hereto as **Appendix "C"**.

20. The proposed SISP is to be conducted by the Monitor with the assistance of the Company, its advisors and in consultation with the DIP Lender. As the proposed SISP allows for both insider bids and credit bids, the Monitor understands the Company and the DIP Lender are of the view the SISP should be conducted by the Monitor as an independent officer of this Court in order to ensure the integrity, fairness and transparency of the SISP for the benefit of all stakeholders.

SISP Approach

21. The SISP is intended to solicit interest in, and opportunities for: (i) one or more sales or partial sales of all, substantially all, or certain portions of the business; and/or (ii) for an investment in, restructuring, recapitalization, refinancing or other form of reorganization of the Company or its business; and/or (iii) one or more sales or partial sales of all, substantially all, or certain portions of the Company's property (the "**Opportunity**").

22. Any transaction or restructuring derived from a binding bid in the SISP will be on an "as is, where is" basis and strictly subject to Court approval.

23. The Monitor will market the Opportunity as outlined in the SISP for a period of 45 days, at which time binding offers are due for consideration by the Company, the Monitor and the DIP Lender. The 45-day marketing period reflects:

(a) the Company's limited liquidity, as demonstrated by the Revised Cash Flow Forecast. In particular, the Monitor understands the business is currently undercapitalised and does not have sufficient milking cows to operate on a cash flow positive basis;

(b) the Monitor's expectation that interested parties in the SISP will be sophisticated parties in respect of the Opportunity who can quickly ascertain their interest with the information available and a site visit;

(c) the interest and discussions with parties during the Company's refinancing efforts;

(d) the importance of seeking Court approval for any sale or investment by June 30, prior to the summer season; and

(e) the agreement amongst the Company, the DIP Lender, and the Monitor that such a period is sufficient to adequately market the Opportunity.

24. The SISP permits the submission of potential stalking horse bids, as well as credit bids and insider bids, subject to the relevant terms of the SISP. The broad scope of the SISP is intended to ensure that a broad range of bid structures are canvassed which may maximize value in the circumstances.

25. With respect to any potential stalking horse bid, the SISP provides that any such bid shall require Court approval and upon approval shall be circulated by the Monitor to any potential bidders in the SISP along with a notification for potential bidders to comply with the stalking horse criteria in the SISP (in addition to the other bid criteria in the SISP), namely:

(a) bids must provide cash consideration sufficient to pay in full on closing a minimum incremental amount in excess of the purchase price of the stalking horse bid; and

(b) the potential bidder must provide a blackline of their bid against the stalking horse bid.

26. The Monitor, in consultation with the Company and DIP Lender, will review stalking horse bids and may, but is not obliged to, select a stalking horse bid to act as a stalking horse in the SISP, if in the Monitor's view, with the consent of the Company and DIP Lender, such stalking horse bid will maximize realization and foster a competitive SISP.

27. The Monitor notes that prior iterations of the SISP shared with the DIP Lender did not have the potential for a stalking horse bid, as such addition was requested by the Company on April 22, 2025. The Monitor is of the view that the terms drafted by the Monitor to include

the potential for a stalking horse in the SISP are designed to maximize realization, create competitive tension and do not prejudice the DIP Lender or creditors generally.

Timeline and Milestones

28. The timelines and associated milestones of the proposed SISP are as follows:

Nemori Farms: SISP	
Event	**Milestone**
1. Prepare for Process Launch Includes the creation of a solicitation letter, target list, marketing material, and virtual data room.	As soon as practicable prior to obtaining the order approving the SISP
2. Launch SISP Distribute a solicitation letter to potential interested parties and facilitate due diligence, site visits and discussions with interested parties.	**May 2, 2025**
3. Stalking Horse Deadline Deadline for submissions of a Stalking Horse Bid (if any)	**May 9, 2025**
4. Insider/Credit Bid Declaration Deadline for declaration by any insider, non-arms length party, or creditor who wishes to participate in the SISP.	**May 19, 2025**
5. Bid Deadline Deadline for submissions of binding Bids.	**June 16, 2025** 45 Days from Launching the SISP
6. Selection of Successful Bidder and Definitive Documents The Monitor, in consultation with the Company and the DIP Lender, will negotiate with interested parties prior to choosing the successful bidder ("**Successful Bidder**"), and proceed to definitive documentation.	**June 23, 2025** Within one week of Bid Deadline
7. Approval Motion – Successful Bid(s) Deadline for filing of Approval Motion in respect of Successful Bidder.	**June 30, 2025** As soon as practicable after the selection of the Successful Bidder and execution of definitive documents, subject to Court availability.

Nemori Farms: SISP	
Event	**Milestone**
8. Closing – Successful Bid(s) Anticipated deadline for closing of the transaction with the Successful Bidder (i.e. the Target Closing Date.	Within two weeks of Approval Motion, and in any event, before **July 31, 2025** (the "**Outside Date**").

29. Notwithstanding the SISP timelines, the Monitor anticipates that it will not commence the SISP until it has confirmation of an executed interim financing commitment that provides sufficient funding to ensure the Company has liquidity to operate through to the conclusion of the SISP.

30. At this stage of the CCAA Proceedings, the Monitor is of the view that the proposed SISP is the most effective and cost-efficient way to realize on the Company's property for the benefit of all creditors. Specifically:

(a) the proposed SISP is clear, transparent, and materially consistent with similar Court approved sales processes in restructuring proceedings in Atlantic Canada;

(b) the proposed SISP will be implemented by the Monitor, who is an officer of this Court with a duty to all stakeholders;

(c) the proposed SISP contains specific provisions and guardrails for bids by insiders, non-arms length parties, and creditors, which allows related parties and creditors to participate in the SISP while maintaining the integrity of the process;

(d) the proposed SISP and its timelines provide the Monitor with adequate flexibility to implement the SISP in a manner that will widely canvass the market for the benefit of stakeholders; and

(e) 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.

31. The Monitor is of the view that the proposed SISP is designed to maximize value for the Company's 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)*.

32. The Company's Revised Cash Flow Forecast, discussed below, demonstrates the Company will have sufficient liquidity to operate until the Outside Date of the SISP if the Court approves the requested increase to the DIP Facility, and the Company and DIP Lender finalize an amendment to same.

33. The Monitor has engaged in extensive consultation with the Company, its advisors and the DIP Lender in developing the SISP, and it is the Monitor's understanding that they are supportive of the proposed SISP. For the reasons outlined above, the Monitor respectfully recommends that the Court approve the proposed SISP.

Revised Cash Flow Forecast

34. The Company's Revised Cash Flow Forecast has been prepared by the Company and Resolve to project the Company's cash requirements through the Outside Date of the proposed SISP of July 31, 2025. The Revised Cash Flow Forecast is attached as **Appendix "D".**

35. The Monitor understands the Revised Cash Flow Forecast includes the Company's view on updated timelines with respect to projected disbursements, revised projections on milk production, and modifications to certain operating expense assumptions based on current information and historical results. The Monitor has discussed the various changes made in the Revised Cash Flow Forecast with the Company, Resolve and the DIP Lender, and compared same to actual results through the date of this Second Report.

36. The Revised Cash Flow Forecast projects the company will require an additional $250,000 in interim financing under the DIP Term Sheet to fund the Company's operations and restructuring costs until the expected closing of a transaction pursuant to the SISP. These additional borrowings will increase the Company's required borrowings under the DIP Facility to a total of $825,000.

37. To date, the Company has drawn $575,000 of the total $600,000 in available funding under the DIP Facility. Without an increase in available funding under the DIP Term Sheet, the Company will not have sufficient liquidity to continue operations through the completion of the SISP.

Summary of the Cash Flow Forecast For the period of March 10, 2025 to August 3, 2025		
		Weeks 1-21
Operational cash receipts		1,711,920
Operational cash disbursements		(1,924,340)
Cash Flows from Operations	**$**	**(212,420)**
Operational improvement costs		(69,064)
Net Cash before Restructuring	**$**	**(180,836)**
DIP financing		825,000
Restructuring fees		(475,054)
DIP interest and commitment fee		(37,753)
Cash Flows from Restructuring	**$**	**312,193**
Opening cash balance		25,432
Ending Cash Balance		**53,142**

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

39. The Monitor has reviewed the Revised Cash Flow Forecast to the standard required of a Court appointed Monitor pursuant to s. 23(1)(b) of the CCAA, including reviewing the actual expenses incurred since the date of the Initial Order and discussing same with the Company, its financial advisors and the DIP Lender. The Monitor's review of the Revised Cash Flow Forecast consisted of inquiries, analytical procedures, and discussions related to information supplied to the Monitor by Management and Resolve. 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 Revised Cash Flow Forecast and the Monitor's understanding of the business. The 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.

40. 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 Revised Cash Flow Forecast;

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

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

41. Since the Revised 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 Revised 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 Second Report or relied upon by the Monitor in preparing this Second Report.

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

Increase to Debtor in Possession Financing

43. The Revised Cash Flow Forecast demonstrates that the Company requires an additional $250,000 in funding to complete the SISP, which will increase the total borrowings under the DIP Term Sheet to $825,000. However, the Monitor understands the Company does not need additional funding under the DIP Facility until the week commencing May 19, 2025.

44. As at the date of this Second Report, the Monitor understands the Company and the DIP Lender are in discussions with respect to the DIP Lender providing additional funding to the Company under the DIP Term Sheet. The Monitor understands that the parties have come to an agreement for the DIP Lender to provide the additional funding, subject to the DIP Lender getting internal approvals, and the parties executing an amended DIP Term Sheet.

45. If the amended DIP Term Sheet can be finalized prior to the Court hearing of April 24, the Monitor understands that the Company will seek approval of the amended DIP Term Sheet and a corresponding increase to the DIP Lender's Charge to $825,000. If the amended DIP Term Sheet is not finalized prior to the Court hearing of April 24, the Monitor understands that the Company and DIP Lender will continue their negotiations to finalize the amended DIP Term Sheet and the Company will return to the Court for approval of the increased DIP Facility and DIP Lender's Charge prior to May 19, 2025.

46. As at the date of this Second Report, the Monitor understands the terms and conditions of the amended DIP Term Sheet are intended to be materially unchanged except for: (i) increasing the maximum borrowings to $825,000, (ii) requiring the DIP Charge be increased to $825,000, and (iii) making further advances conditional on the approval of the proposed SISP.

47. The Company's request to increase the maximum availability under the DIP Facility is being made after consultation with Resolve and the Monitor and is supported by the Revised Cash Flow Forecast prepared by the Company. The Monitor understands the increase in funding will be used to fund the cash flow requirements of the Company through the proposed SISP and the closing of any resulting transaction.

48. The Monitor is of the view that the Company's request to amend the DIP Term Sheet to permit additional funding is reasonable in the circumstances, given that:

(a) additional funding is necessary to provide the Company with sufficient liquidity to operate the business in line with the Revised Cash Flow Forecast, the results of which will be reviewed by the Monitor and DIP Lender throughout the CCAA Proceedings and proposed extension to the Stay of Proceedings;

(b) without the increased DIP Facility or similar interim financing, the Company will be unable to continue operations, preserve the value of its property, maintain the health of its livestock, and advance the proposed SISP for the benefit of its creditors and stakeholders; and

(c) the terms and conditions of the DIP Term Sheet are materially unchanged to those described in the Monitor's First Report and previously approved by this Court, and are consistent with interim financing approved in other restructuring proceedings in Atlantic Canada.

The Monitor's View on the Request to Extend the Stay of Proceedings

49. The Company seeks to extend the Stay of Proceedings through to June 30, 2025, acknowledging that the Revised Cash Flow Forecast shows a need for additional interim financing by May 19, 2025.

50. The proposed extension to the Stay of Proceedings is necessary to provide the Company and the Monitor with stability through the SISP. Although the Monitor is cognizant of the Company's need for additional interim financing by May 19, 2025, the Monitor understands that the DIP Lender is considering the Company's request for additional funding under the DIP Facility and the Company intends to return to the Court to seek approval of increased interim financing once such commitment is executed, and in any event prior to May 19, 2025.

51. For certainty, should the Company and the DIP Lender not come to an agreement to provide additional funding and the Company does not provide an alternative source of committed funding for these CCAA Proceedings, the Monitor will not launch the SISP and expects in such circumstances it would declare a material adverse change pursuant to section 23(1)(d) of the CCAA.

52. The Monitor supports the extension of the Stay of Proceedings up to and including June 30, 2025 to avoid the Stay of Proceedings expiring mid-way through the SISP, which may discourage potential bidders from participating in the SISP.

53. The Monitor does not believe that any creditors will be materially prejudiced by the extension of the Stay of Proceedings.

54. Subject to the anticipated increased funding under the DIP Facility, the Revised Cash Flow Forecast demonstrates the Company will have sufficient liquidity to operate during the extended Stay of Proceedings.

55. Based on the above, the Monitor is supportive of the Company's request to extend the Stay of Proceedings.

Court Ordered Charges

56. The Monitor understands the Company is requesting the following Court ordered charges ("**Charges**") on the Company's assets to rank ahead of existing Security, as defined in the Initial Order:

(a) First – the Administration Charge, increased to $250,000 (formerly $175,000); and

(b) Second - the DIP Charge increased to $825,000 (formerly $600,000).

Increase to the Administration Charge

57. The Company is requesting the Court approve a $75,000 increase to the Administration Charge, for a total Administration Charge of $250,000.

58. As outlined in the Pre-Filing Report, the Administration Charge provides security for the fees of the professionals involved in advancing a restructuring in these CCAA Proceedings including the Monitor, the Monitor's counsel, and counsel to the Company. The Monitor understands the Company requires the assistance of these professionals to execute the SISP and complete a financial restructuring for the benefit of stakeholders.

59. As at the date of this Second Report, the professionals covered under the Administration Charge have spent significant time and expense assisting the Company in its restructuring efforts. The Monitor is of the view that an increase of the Administration Charge is reasonable in the circumstances given that it is commensurate with the complexity of this matter and consistent with similar priority charges granted by courts in Atlantic Canada for insolvency proceedings of this nature.

60. Based on the above, the Monitor respectfully recommends the Court increase the Administration Charge to $250,000.

DIP Charge

61. If the Company seeks the increased DIP Facility at the April 24th hearing, the Company will also be requesting the Court approve a $250,000 increase to the DIP Charge, for a total DIP Charge of $825,000, against the Company's property as security for the Company's obligations pursuant to the DIP Term Sheet. It is proposed the DIP Charge will only be subordinate to the Administration Charge.

62. The Monitor is supportive of the Company's requested relief. In particular, the Monitor understands that the increase in the DIP Charge is necessary for the DIP Lender to provide additional funding, which is necessary to support the Company's operations throughout the implementation of the SISP and the extended Stay of Proceedings. Therefore, the Monitor respectfully recommends the Court increase the DIP Charge to the maximum principal amount of $825,000, should the Company request same.

Good Faith and Due Diligence

63. As at the date of this Report, the 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;

(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; 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

64. For the reasons set out in this Second Report, the Monitor respectfully recommends that this Honourable Court grant the Company's requested relief.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 22nd day of April, 2025.

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

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

Appendix A

ARIO dated March 14, 2025

2025 01G 1510
IN THE SUPREME COURT OF NEWFOUNDLAND AND LABRADOR
IN BANKRUPTCY AND INSOLVENCY

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

AND IN THE MATTER OF an application by Nemori Farms Ltd. for relief under s. 11 of the CCAA (the "**Company**")

AMENDED AND RESTATED INITIAL ORDER

Before the Honourable Justice A. MacDonald:

WHEREUPON the Company has filed a motion for an extension to the current stay of proceedings under the CCAA up to an including 25 April 2025;

AND UPON reading the Notice of Motion and Memorandum of Fact and Law filed on behalf of the Company, and on hearing the submissions of counsel for the Company and such other counsel as appeared, with all parties being duly served and on reading the Pre-Filing Report and First Report of the Proposed Monitor and their consent act as the Monitor, the following is ordered and declared:

SERVICE

THIS COURT ORDERS that the time for service of the Notice of Application and the materials filed, as set out in the affidavit of service, is hereby deemed adequate notice so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

1. **THIS COURT ORDERS AND DECLARES** that the Company is a company to which the CCAA applies.

PLAN OF ARRANGEMENT

	Filed	March 14/25	SH

2. **THIS COURT ORDERS** that the Company 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 (hereinafter referred to as the "**Plan**").

POSSESSION OF PROPERTY AND OPERATIONS

3. **THIS COURT ORDERS** that the Company 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 Honourable Court, the Company shall continue to carry on business in a manner consistent with the preservation of their business (the "**Business**") and Property. The Company is authorized and empowered to continue to retain and employ the employees, consultants, independent contractors, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") 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 their Business or for the carrying out of the terms of this Order.

4. **THIS COURT ORDERS** that the Company shall be entitled to continue to utilize their cash management system currently in place, or replace it with another substantially similar 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 Company 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 Company, 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 any plan of compromise or arrangement with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

5. **THIS COURT ORDERS** that the Company shall be entitled to 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, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;

(b) the fees and disbursements of any Assistants retained or employed by the Company in respect of these proceedings, at their standard rates and charges;

(c) with the consent of the DIP Lender (as defined in the DIP Term Sheet attached hereto as **Schedule "A"**), amounts owing for goods and services supplied to the Company, if in the opinion of the Monitor, the supplier or vendor of such goods or services is necessary for the operation and preservation of the Business or Property. The Monitor shall report to the Court as to any payments made under this subparagraph.

6. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the Company shall be entitled but not required to pay all reasonable expenses incurred by the Company 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; and

(b) payment for goods or services supplied to the Company following the date of this Order.

7. **THIS COURT ORDERS** that the Company shall remit, in accordance with legal requirements, or pay:

(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, and (ii) Canada Pension Plan;

(b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Company in connection with the sale of goods and services by the Company, but only where such Sales Taxes are accrued or collected after the date of this Order, and

(c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Company.

8. **THIS COURT ORDERS** that until a real property lease is disclaimed in accordance with the CCAA, the Company 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 Company and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

9. **THIS COURT ORDERS** that, except as specifically permitted herein the Company is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Company to any of their creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of their Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

10. **THIS COURT ORDERS** that the Company shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents (as hereinafter defined), have the right to:

(a) permanently or temporarily cease, downsize or shut down any of their business or operations, and to dispose of non-material assets not exceeding $100,000 in one transaction in the aggregate;

(b) terminate the employment of such of its employees, or temporarily lay off such of its employees, as it deems appropriate; and

(c) pursue all avenues of refinancing, restructuring, sale and reorganization of the Business or Property, in whole or part, subject to obtaining prior approval of this, Court before effecting any material refinancing, restructuring, sale or reorganization, as determined by the Monitor,

all of the foregoing to permit the Company to proceed with an orderly restructuring of the Business (the "**Restructuring**").

11. **THIS COURT ORDERS** that the Company shall provide each of the relevant landlords with notice of the Companies intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Companies entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Company, or by further Order of this Court upon application by the Company on at least two (2) days' notice to such landlord and any such secured creditors. If the Company disclaims the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Companies claim to the fixtures in dispute.

12. **THIS COURT ORDERS** that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Company and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may

have against the Company in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE COMPANY OR THE PROPERTY

13. **THIS COURT ORDERS** that until and including 25 April 2025, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Company or the Monitor, or affecting the Business or the Property except with the written consent of the Monitor and the Company, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Company 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. **THIS COURT ORDERS** that 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 Company or the Monitor, or affecting the Business or the Property are hereby stayed and suspended except with the written consent of the Monitor and the Company, or leave of this Court, provided that nothing in this Order shall (i) empower the Company to carry on any business which the Company is 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) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

15. **THIS COURT ORDERS** that 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 Company, except with the written consent of the Monitor and the Company, or leave of this Court.

CONTINUATION OF SERVICES

16. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Company or statutory or regulatory mandates for the supply of goods and/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 Company, 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 Company, and the Company 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 Company in accordance with normal payment practices of the Company or such other practices as may be agreed upon by the supplier or service provider and the Company or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

17. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease 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 Company. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

18. **THIS COURT ORDERS** that 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 Company with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Company 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 Company, if one is filed, is sanctioned by this Court or is refused by the creditors of the Company or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

19. **THIS COURT ORDERS** that the Company shall indemnify their directors and officers against obligations and liabilities that they may incur as directors or officers of the Company after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

APPOINTMENT OF MONITOR

20. **THIS COURT ORDERS** that GT is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Company with the powers and obligations set out in the CCAA or set forth herein and that the Company and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Company pursuant to this Order, and shall co-operate 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.

21. **THIS COURT ORDERS** that 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, and such other matters as may be relevant to the proceedings herein;

(c) assist the Company, to the extent required by the Company, in the dissemination, (i) to the DIP Lender and its counsel, and (ii) to registered secured creditors, Canada Revenue Agency ("**CRA**"), and their counsel if the Monitor determines it necessary or desirable, on a timely basis, of financial and other information as agreed to between the Company and the DIP Lender, or information which the Monitor may determine is necessary or desirable to share with registered secured

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creditors or CRA, including reporting on a basis to be agreed with the DIP Lender, or between the Monitor and any registered secured creditor or CRA, as the case may be;

(d) advise the Company in the preparation of the Companies' cash flow statements and reporting required by the DIP Lender;

(e) advise the Company in their development of a plan or compromise or arrangement and any amendments thereto;

(f) assist the Company, to the extent required by the Company, with the holding and administering of creditors' or shareholders' meetings for voting on a plan of compromise or arrangement;

(g) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Company, to the extent that is necessary to adequately assess the Company business, cashflow, and financial affairs or to perform its duties arising under this Order;

(h) be at liberty to engage with Companies' legal counsel or retain 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;

(i) assist the Company to design and conduct any sales process as may be approved by the Court; and

(j) perform such other duties as are required by this Order or by this Court from time to time.

22. **THIS COURT ORDERS** that 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.

23. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act* and regulations thereunder (the **"Environmental Legislation"**), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

24. **THIS COURT ORDERS** that the Monitor shall provide any creditor of the Company with information provided by the Company in response to reasonable requests for information made in writing by such creditor 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 Company is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Company may agree.

25. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or willful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

26. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, and counsel to the Company shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, whether incurred prior to, or subsequent to, the date of this Order, by the Company as part of the costs of these proceedings. The Company is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor, and counsel for the Company on a weekly basis and, in addition, the Company is hereby authorized to pay to the

Monitor, counsel to the Monitor, and counsel to the Company reasonable retainers to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

27. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose, the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Supreme Court of Newfoundland and Labrador in Bankruptcy and Insolvency.

28. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, and the Company' counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of $175,000 as security for their professional fees and disbursements incurred at their respective 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 paragraphs 36-41 herein.

DIP FINANCING

29. **THIS COURT ORDERS** that the Company is hereby authorized and empowered to obtain and borrow under a credit facility from the Royal Bank of Canada (the "**DIP Lender**") in order to finance the Company's working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed $600,000.00 unless permitted by further Order of this Court.

30. **THIS COURT ORDERS THAT** such credit facility shall be on the terms and subject to the conditions set forth in the DIP Term Sheet between the Company and the DIP Lender dated as of 12 March 2025 and attached hereto as Schedule "A" (the "**DIP Term Sheet**"), filed.

31. **THIS COURT ORDERS** that the Company is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "**Definitive Documents**"), as are contemplated by the DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Company is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP

Lender under and pursuant to the DIP Term Sheet and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

32. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 36-41 hereof.

33. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

(a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;

(b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon 2 Business Days notice to the Company and the Monitor, may exercise any and all of its rights and remedies against the Company or the Property under or pursuant to the DIP Term Sheet, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Company and set off and/or consolidate any amounts owing by the DIP Lender to the Company against the obligations of the Company to the DIP Lender under the DIP Term Sheet, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Company and for the appointment of a trustee in bankruptcy of the Company; and

(c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Company or the Property.

34. **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Company under the CCAA, or any proposal filed by the Company under the *Bankruptcy and Insolvency Act* of Canada (the "**BIA**"), with respect to any advances made under the Definitive Documents.

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VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

35. **THIS COURT ORDERS** that the priorities of the Administration Charge the DIP Lender's Charge, as among them, shall be as follows:

First – Administration Charge ($175,000)

Second - DIP Lender's Charge ($600,000)

36. **THIS COURT ORDERS** that the filing, registration or perfection of the Administration Charge or the DIP Lender's Charge (collectively, the "**Charges**") shall not be required, and that 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.

37. **THIS COURT ORDERS** that the Charges shall constitute a charge on the Property and shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person.

38. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Company shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with any of the Charges, unless the Company also obtain the prior written consent of the Monitor and of the applicable chargee(s) entitled to the benefit of the Charges (collectively, the "**Charges**"), or further Order of this Court.

39. **THIS COURT ORDERS** that the Charges, the DIP Term Sheet and the Definitive Documents shall not be rendered invalid or unenforceable and the rights and remedies of the Chargees 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(s) for bankruptcy order(s) issued pursuant to 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; (d) the provisions of any federal or provincial statutes; or (e) 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 Company, and notwithstanding any provision to the contrary in any Agreement:

(a) The creation of the Charges nor the execution, delivery, perfection, registration or performance of the DIP Term Sheet or the Definitive Documents shall not be deemed to constitute a breach by the Company of any Agreement to which they are a party;

(b) None of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Company entering into the DIP Term Sheet, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and

(c) The payments made by the Company pursuant to this Order, the DIP Term Sheet or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

40. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a charge in the Companies' interest in such real property leases.

SERVICE AND NOTICE

41. **THIS COURT ORDERS** that the Monitor shall (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner by electronic means, a notice to every known creditor who has a claim against the Company 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.

42. **THIS COURT ORDERS** that the Company and Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Company creditors or other interested parties at their

respective addresses as last shown on the records of the Companies and that any such service or distribution by courier, personal delivery or facsimile transmission 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.

GENERAL

43. **THIS COURT ORDERS** that the Monitor and the Company may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

44. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from subsequently acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Company, the Business or the Property.

45. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Company, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Company 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 Company and the Monitor and their respective agents in carrying out the terms of this Order.

46. **THIS COURT ORDERS** that each of the Company and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

47. **THIS COURT ORDERS** that any interested party (including the Company and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

48. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12.01 a.m., Newfoundland Time, on the date of this Order.

Assistant Deputy Registrar

SCHEDULE "A"

DIP Term Sheet

DEBTOR-IN-POSSESSION FINANCING TERM SHEET

This term sheet ("**DIP Term Sheet**") is made on the ____ day of March, 2025 and sets out the terms and conditions upon which Royal Bank of Canada will provide debtor-in-possession financing to the DIP Loan Party (as defined below) in consideration of the mutual covenants, terms and conditions set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged.

Borrower:	Nemori Farms Ltd. (the "**DIP Loan Party**").
DIP Lender:	Royal Bank of Canada (the "**DIP Lender**")
Monitor:	Doane Grant Thornton Ltd. in its capacity as monitor (in such capacity, the "**Monitor**") in connection with the DIP Loan Party' proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**").
Type of DIP Loan:	Loan of up to a maximum amount of $600,000.00 (the "**DIP Loan**"), secured by way of the DIP Charge (defined herein) to be available to the DIP Loan Party with the agreement of the Monitor subject to and in accordance with the terms herein.
Availability:	Subject to the fulfillment of the applicable conditions precedent to the availability of the DIP Loan set out herein and the DIP Loan Party's adherence to the 13 week Cash-Flow Statement dated 12 March 2025 (the "**Approved Cash Flows**") being satisfactory to the DIP Lender in its sole discretion, and provided that no Event of Default (as defined below) has occurred and is then continuing, advances of the DIP Loan shall be made by the DIP Lender to the DIP Loan Party.
Purpose, Use of Proceeds:	The proceeds of the DIP Loan will be used by the DIP Loan Party to fund the cash flow requirements of the DIP Loan Party on a going concern basis provided that the same is, unless approved in writing by the DIP Lender and the Monitor, (i) in accordance with the Approved Cash Flows, and (ii) not on account of a liability that existed prior to the date of filing for these CCAA Proceedings (the "Filing Date"), including for avoidance of doubt but without limitation any unremitted statutory remittances existing as of the Filing Date.
Closing Date:	On or before 14 March 2025 unless otherwise agreed by the DIP Loan Party and the DIP Lender (the "**Closing Date**").
Termination Date:	The maturity of the DIP Loan (the "**Termination Date**") shall be the earliest of:

(a) 6 months following the Closing Date, unless otherwise mutually agreed between the parties;

(b) the effective date of any merger, amalgamation, consolidation, arrangement, reorganization, recapitalization, sale or any other transaction affecting the DIP Loan Party's assets or operations or resulting in the change of ownership or control of the DIP Loan Party as confirmed by the Supreme Court of Newfoundland and Labrador (the "**Court**") and satisfactory to the DIP Lender in its sole discretion (any of the foregoing being a "**Transaction**");

(c) the date on which the DIP Loan Party's stay of proceedings expires without being extended or the date on which the CCAA Proceedings are dismissed or terminated or the date on which the DIP Loan Party becomes bankrupt or the stay of proceedings is lifted to allow the filing of a bankruptcy or receivership application or similar insolvency proceeding; and

(d) the date of the acceleration of the DIP Loan and the termination of the commitment with respect to the DIP Loan as a result of an Event of Default (as defined herein).

All outstanding amounts under the DIP Loan, together with all interest accrued and unpaid in respect thereof and all other amounts owing and unpaid under this DIP Term sheet shall be payable in full on the Termination Date.

Interest Rates:

All amounts outstanding under the DIP Loan will bear interest at a rate of the DIP Lender's prime rate for commercial loans from time to time plus 6.00% per annum, on the daily balance outstanding under the DIP Loan.

Interest shall be due, owing, payable and repaid in arrears on a monthly basis.

Commitment Fee

The DIP Loan Party shall pay to the DIP Lender a commitment fee equal to $12,500 (the "**Commitment Fee**") to be paid from the first advance made under the DIP Loan. The Commitment Fee is non-refundable and is fully earned as of the Closing Date.

Repayment:

Unless otherwise repaid as contemplated herein, the DIP Loan shall be due, owing, payable and repaid on the Termination Date without further notice, protest, demand or other act on the part of the DIP Lender.

Mandatory Prepayments: The DIP Loan shall be repaid in full of from the net proceeds of any Transaction involving the DIP Loan Party.

Representations and Warranties: The DIP Loan Party represents and warrant to the DIP Lender as of the date hereof, and as of the date of each advance under the DIP Loan, that:

(a) the DIP Loan Party is duly organized, validly existing and in good standing under the laws of the jurisdiction of their organization, has all requisite power to carry on its business as now and formerly conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to constitute a material adverse effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification in required;

(b) the execution, delivery and performance, as applicable, of the DIP Term Sheet has been duly authorized by all actions, if any, required on the part and by the DIP Loan Party's directors, and constitutes a legal, valid and binding obligation of the DIP Loan Party enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, arrangement, winding-up, moratorium and other similar laws of general application that limit the enforcement of creditors' rights generally and to general equitable principles;

(c) the Approved Cash Flows represent the DIP Loan Party's best estimate as at each applicable date of the likely results of the operations of the DIP Loan Party during the period applicable thereto and, to the knowledge of the DIP Loan Party, such results are achievable as provided therein; and

(d) all employee wages and other amounts owing to employees are up-to-date and there are no amounts owing in respect of wages, termination pay, severance pay, vacation pay, pension benefit contributions or other benefits except those accruing in the normal course and in accordance with the established practices and arrangements of the DIP Loan Party.

Covenants: The DIP Loan Party covenants and agrees that:

(a) the DIP Loan Party shall pay all amounts and satisfy all obligations in respect of the DIP Loan, including the Commitment Fee (which shall be paid as set out above);

(b) the DIP Loan Party shall not make or permit to be made any payment on account obligations owing as at the Filing Date without the prior consent of the Monitor or pursuant to an order of the Court;

(c) the DIP Loan Party shall ensure that all credit balances held in deposit accounts at any other financial institution and all incoming funds are deposited to its operating account maintained with the DIP Lender provided the DIP Lender confirms in writing that, subject to no Event of Default (as defined below) occurring or subsisting, no holds or other extraordinary credit approval procedures will be put in place on the deposit account and that said account will operate in the ordinary course;

(d) the DIP Loan Party shall not undertake any actions with respect to its assets, business operations and/or capital structure which would, in the determination of the DIP Lender, acting reasonably, have a material adverse effect on the DIP Loan Party, the Collateral (as defined below), or the likelihood of repayment of the DIP Loan;

(e) the DIP Loan Party shall not incur any indebtedness, including the giving of guarantees, other than indebtedness specifically contemplated herein or permitted in writing by the DIP Lender in its sole discretion;

(f) the DIP Loan Party shall not incur, create, assume or suffer to exist any lien, charge, security interest or other encumbrance on any of the Collateral now owned or hereafter acquired other than: (i) those encumbrances existing as of the Filing Date, (ii) permitted by the DIP Lender in its sole discretion, (iii) the DIP Charge, and (iv) any security or charge granted by the Court under section 11.52 of the CCAA (the "**Administration Charge**") in an amount in excess of $150,000.00, unless otherwise approved by the Court;

(g) the DIP Loan Party shall not enter into any other credit facility or loan arrangements that would be secured in priority to or *pari passu* with the DIP Loan;

(h) the DIP Loan Party shall not enter into any Transaction without the approval of the Monitor and the Court, as per the terms of the initial sought in conjunction with the CCAA Proceedings (including any amendments or restatements thereof) (the "**CCAA Order**");

(i) without the prior written consent of the DIP Lender which may be withheld on any grounds, the DIP Loan Party shall not: (i) declare or pay any dividends on, or make any other payments or distributions (whether by reduction of capital or otherwise) with respect to any of its respective issued and outstanding shares or other equity interests, or (ii) grant any loans;

(j) the DIP Loan Party shall not sell any of its assets outside of the ordinary course of business without the prior written consent of the Monitor and the Court, as per the terms of the CCAA Order;

(k) all DIP Expenses (as defined below), including all legal and advisory fees and expenses of the DIP Lender shall be added to the principal balance of the DIP Loan and repaid upon the occurrence of any Transaction or when the within CCAA Proceedings are terminated, whichever comes first;

(l) the DIP Loan Party shall update the Approved Cash Flows and provide a copy thereof to the DIP Lender and the Monitor together with a comparison to the prior version for the DIP Lender's approval, it being understood that such updated Approved Cash Flows, if approved by the DIP Lender in its sole discretion, become the Approved Cash Flows for purposes hereof;

(m) the DIP Loan Party shall engage and appoint David Boyd of Resolve Advisory Services Ltd as financial and SISP advisor (the "**SISP Advisor**") and shall not remove the SISP Advisor without the prior written consent of the DIP Lender, acting reasonably; and

(n) the DIP Loan Party shall obtain promptly an appraisal or valuation of its assets from an appraiser or valuator acceptable to the DIP Lender, provide copies of all such appraisals or valuations to the DIP Lender, and make all such appraisers or valuators available to the DIP Lender for any reasonable enquiries.

SISP: Following a period of thirty (30) days from the Closing Date (the "**Refinance Period**"), if no Transaction is approved by the Monitor and the Court which sees the repayment in full of all obligations owing to the DIP Lender (under this DIP Term Sheet and all pre-filing loan and credit agreements made between the DIP Lender and the DIP Loan Party from time to time), the DIP Loan Party will conduct a sale and investment solicitation process (the "**SISP**") aimed at seeking offers for the sale of all or substantially all of the business assets of the DIP Loan Party or significant investment in the business carried on the DIP Loan Party.

Preparation for the SISP will run concurrent with the Refinance Period. In the event that the DIP Loan Party has not executed an agreement with a lender or other third party which will see the repayment in full of all obligations owing to the DIP Lender (under this DIP Term Sheet and all pre-filing loan and credit agreements made between the DIP Lender and the DIP Loan Party from time to time) by the end of the Refinance Period, the DIP Loan Party shall complete its preparation for the SISP and shall apply to the Court for approval of the SISP by no later than 11 April 2025.

The DIP Loan Party shall provide that any and all transactions under the SISP will be completed by no later than 5 September 2025.

As part of the preparations for the SISP, the DIP Loan Party shall arrange to prepare, with the assistance of its advisors, among other things, a teaser document outlining the opportunities available under the SISP, a confidential information memorandum, a preliminary list of parties to be solicited, and a document outlining the terms and conditions of the SISP (the "**SISP Materials**"). The DIP Loan Party shall provide the SISP Materials to the DIP Lender for review by the DIP Lender no later than seven days prior to the filing of any application by the DIP Loan Party to the Court for approval of the SISP.

The DIP Loan Party shall provide the DIP Lender with full and unfettered access to all materials in connection with the SISP, including any virtual data rooms established for potential purchasers or investors to evaluate the business.

Reporting Requirements:

While any portion of the DIP Loan remains outstanding, the DIP Loan Party shall provide the following to the DIP Lender:

(a) bi-weekly reporting on the DIP Loan Party's compliance with the Approved Cash Flows including commentary on any variances in excess of 10%;

(b) on a monthly basis:

(i) trial balance (in Microsoft Excel format, if available);

(ii) aged accounts payable listing (in Microsoft Excel format, if available);

(iii) list of accrued liabilities (in Microsoft Excel format, if available);

(iv) payroll statement of account with the Canada Revenue Agency ("**CRA**") with evidence of payroll remittances for the month ended; and

(v) payroll and vacation pay accrued liability as at month-end;

(c) bi-weekly reporting in respect of the DIP Loan Party's refinancing efforts and the SISP, including copies of all discussion papers, letters of intent, and financing offers received;

(d) the details of any payment arrangement with CRA in relation to outstanding arrears for source deductions, HST, and excise taxes;

(e) the details of any discussions with the Government of Newfoundland and Labrador; and

(f) response to any reasonable request for additional information from the DIP Lender or its legal or financial advisors from time to time.

Security:

As continuing security (the "**DIP Security**") for the prompt payment of all amounts payable by the DIP Loan Party to the DIP Lender under the DIP Term Sheet and as continuing security for the due and punctual performance by the DIP Loan Party of their existing and future obligations pursuant to the DIP Term Sheet (the "**DIP Obligations**"), the DIP Loan Party hereby grants, conveys, assigns, transfers, mortgages and charges as and by way of a fixed and specific security interest, mortgage and charge, to and in favour of the DIP Lender, all of its property, assets, rights and undertakings, real and personal, moveable or immovable, tangible and intangible, legal or equitable, of whatsoever nature and kind, wherever located, both present and future, and now or hereinafter owned or acquired (collectively, the "**Collateral**").

The DIP Security shall be elevated by way of a Court-ordered super-priority charge (the "**DIP Charge**") which the DIP Charge shall rank in priority on the Collateral in priority to any security interests, claims, or deemed trusts (statutory or otherwise) but subordinated to the Administration Charge, without any other formality, perfection, or requirement, such as without limitation under the *Personal Property Security Act* (Newfoundland and Labrador) or registrations in land registration office(s) or otherwise.

Events of Default:

Each of the following shall constitute an "**Event of Default**":

(a) the DIP Loan Party defaults in the payment of any amount due and payable to the DIP Lender (whether of principal, interest or otherwise) pursuant to this DIP Term Sheet;

(b) any representations and warranties made by the DIP Loan Party in the DIP Term Sheet proves to be incorrect as of the date given;

(c) the DIP Loan Party fails or neglects to observe or perform any term, covenant, condition or obligation contained or referred to in the DIP Term Sheet or any other document between the DIP Loan Party and the DIP Lender;

(d) the stay of proceedings expires without being extended or the CCAA Proceedings being dismissed or terminated or the DIP Loan Party becoming subject to a proceeding in bankruptcy or receivership or similar insolvency proceeding;

(e) the entry of an order staying, amending, reversing, vacation or otherwise modifying or having a material adverse effect with respect to the DIP Loan or the DIP Charge, in each case without the prior written consent of the DIP Lender;

(f) the DIP Loan Party undertakes any actions with respect to its assets, business operations and/or capital structure which would, in the sole determination of the DIP Lender, have a material adverse effect on the DIP Loan Party, the Collateral, or the likelihood of repayment of the DIP Loan;

(g) if the DIP Loan Party makes any payments of any kind not permitted by this DIP Term Sheet, or contemplated by the Approved Cash Flows;

(h) the occurrence of any other event or circumstance that has, or could reasonably be expected to have, a material adverse effect on the DIP Loan Party, the Collateral, or the likelihood of repayment of the DIP Loan, including a material adverse change from the Approved Cash Flow budget as determined by the DIP Lender in its sole discretion; and

(i) if there is a change in the ownership, control, existing senior operating management arrangements or governance of the DIP Loan Party that is not acceptable to the DIP Lender acting reasonably.

Upon the occurrence of an Event of Default, without any notice, protest, demand or other act on the part of the DIP Lender, all indebtedness of the DIP Loan Party to the DIP Lender shall become immediately due and payable and the DIP Lender shall be able to take all steps necessary to enforce its security. The DIP Lender shall also have the right to exercise all other customary remedies, including, without limitation, the right to enforce and realize on any or all of the Collateral, in each case, upon providing two (2) days prior written notice to the DIP Loan Party and the Monitor, without the necessity of obtaining further relief or an order from the Court.

Conditions Precedent, to first advance:

The conditions precedent to any advance being made under this DIP Term Sheet are:

(a) the representations and warranties made by the DIP Loan Party in this DIP Loan Term Sheet being true and correct as of the date given; and

(b) the issuance of a Court order approving the DIP Loan and the DIP Term Sheet, creating the DIP Charge, and authorizing the payment by the DIP Loan of all of the fees and expenses in respect of the DIP Loan (the "**DIP Order**").

Illegality: In the event that it becomes illegal for the DIP Lender to lend or continue to lend, the DIP Lender will be repaid and/or the DIP Lender's commitment will be cancelled.

Taxation: All payments of principal, interest and fees will be made free and clear of all present and future taxes, levies, duties or other deductions of any nature whatsoever, levied either now or at any future time.

Fees and Expenses: The DIP Loan Party shall pay all of the DIP Lender's out-of-pocket expenses (including the fees and expenses of its counsel and advisors), whether or not any of the transactions contemplated hereby are consummated and whether incurred prior to or after the date of the DIP Order, as well as all expenses of the DIP Lender in connection with the ongoing monitoring, interpretation, administration, protection and enforcement of the DIP Loan, and the enforcement of any and all of its remedies at law (collectively, the "**DIP Expenses**").

Governing Law, Jurisdiction:	Laws of the Province of Newfoundland and Labrador and the federal laws of Canada applicable in the Province of Newfoundland and Labrador. The DIP Loan Party agrees to submit to the exclusive jurisdiction of the courts of the Province of Newfoundland and Labrador with respect to any dispute or matter related to, arising from, or in connection with the construction, validity, or performance of this DIP Term Sheet or the rights of any party under it.

[*EXECUTION PAGES FOLLOWS*]

a

IN WITNESS HEREOF, the DIP Loan Party and the DIP Lender hereby execute this DIP Term Sheet as of the date first written above.

NEMORI FARMS LTD.

Per: ______________________________

Name:

Title:

[remainder of this page intentionally left blank, signature page follows]

ROYAL BANK OF CANADA

Per: ______________________________
Name:
Title:

Per: ______________________________
Name:
Title:

Appendix B

Cash Flow Variance Report

Nemori Farms Ltd.
Budget to Actuals - Variance Report
To Week 4 - April 6, 2025

	Weeks 3-4 March 24, 2025 April 6, 2025					Cumulative March 10, 2025 April 6, 2025				
	Budget	Actual	Variance	%	Variance Analysis	Budget	Actual	Variance	%	Variance Analysis
Opening Cash Position	15,449	76,663	61,214		Opening cash higher than expected, timing on expenses	5,000	25,432	20,432		Opening cash higher than expected
Projected Receipts:										
Milk Revenue (Advance)	84,750	84,750	-	0%		84,750	84,750	-	0%	
Milk Revenue (Remainder)	-	-	-	NA		275,000	231,170	(43,830)	-16%	Timing of pick up of the milk at the first of the month was allocated to the previous month milk cheque. This shortfall is not expected to be recovered in the cash flow period.
HST	-	-	-	NA		-	-	-	NA	
DIP loan proceeds	200,000	200,000	-	0%		450,000	450,000	-	0%	
Total Projected Receipts	284,750	284,750	-			809,750	765,920	(43,830)		
Projected Disbursements:										
Feed	-	89,457	(89,457)	NA	Timing of expenditures and taking advantage of reduced pricing based on timing of purchase in proximity to milk cheques	250,000	215,339	34,661	14%	Timing of expenditures, attempting to limit amount of feed purchased, taking advantage of reduced pricing based on timing of purchase in proximity to milk cheques
Payroll deductions	22,000	-	22,000	100%	Timing of expenditures	22,000	-	22,000	100%	Timing of expenditures
Payroll	30,000	33,589	(3,589)	-12%	Higher than expected costs for non-resident workers, refund of cancelled RRSP contribution plan	60,000	61,180	(1,180)	-2%	
Employee RRSP	-	-	-	NA		1,000	-	1,000	100%	Cancelled this program
Crop supplies	-	26,126	(26,126)	NA	Timing to take advantage of weather and increased costs per unit	-	26,126	(26,126)	NA	Timing to take advantage of weather and increased costs per unit
Fuel	-	4,000	(4,000)	NA	Timing of expenditures	6,000	9,000	(3,000)	-50%	Timing and cost of fuel, supplier allocated payment to pre-filing balance. Pursuing relocation
Cell phone	400	-	400	100%	Timing of expenditures	400	669	(269)	-67%	Timing of expenditures
Cow purchase (net)	77,000	-	77,000	100%	Timing - acquired in prior week period	77,000	76,769	231	0%	
Blue cross	-	2,429	(2,429)	NA	Timing of expenditures	1,551	3,127	(1,576)	-102%	Timing of expenditures
Utilities	-	-	-	NA		14,000	-	14,000	100%	Timing of expenditures
Repairs, maintenance and veterinary care	15,000	39,588	(24,588)	-164%	More repairs and maintenance costs required on equipment	30,000	96,074	(66,074)	-220%	More repairs and maintenance costs required on equipment
Accounting and administrative	3,500	307	3,194	91%	Timing of expenditures	7,000	6,747	254	4%	
Insurance	10,000	549	9,451	95%	Timing of expenditures	10,000	10,464	(464)	-5%	
Critical accounts payable	30,000	(934)	30,934	103%	Not as many suppliers requiring payments	45,000	1,886	43,114	96%	Not as many suppliers requiring payments
Operating disbursements	187,900	195,110	(7,210)			523,951	507,381	16,570		
Net operating cash flows	96,850	89,640	(7,210)			285,799	258,539	(27,260)		
Operational Improvement										
SCAP program	-	(4,187)	(4,187)	NA	Additional requirements for completion, company will submit for partial refund	(106,000)	(109,064)	(3,064)	3%	
Net cash flows prior to professional fees	96,850	85,453	(11,397)			179,799	149,476	(30,323)		
Financing and Professional fees										
DIP fees and interest	3,995	-	3,995	100%		13,995	12,791	1,203	9%	
Monitor	20,000	-	20,000	100%		40,000	-	40,000	100%	Invoice received but payment deferred
Monitor legal counsel	10,000	-	10,000	100%		20,000	-	20,000	100%	Timing
Financial advisor	7,500	-	7,500	100%		15,000	-	15,000	100%	Invoice received but payment deferred
Company legal	25,000	60,478	(35,478)	-142%	Expect fees from counsel will be lower in remaining weeks	50,000	60,478	(10,478)	-21%	Expect fees from counsel will be lower in remaining weeks
Total professional fees	66,495	60,478	6,016			138,995	73,269	65,725		
Net cash flows	30,355	24,975	(5,380)			40,804	76,206	35,402		
Closing Cash Position	45,804	101,639	55,834			45,804	101,639	55,834		
	-					-	-			

Appendix C

Proposed SISP

Sales and Investment Solicitation Process
Bidding Procedures

Nemori Farms Ltd.

Introduction

On March 6, 2025, Nemori Farms Ltd. (the "**Company**") made an application to the Supreme Court of Newfoundland and Labrador in Bankruptcy and Insolvency (the "**Court**") to commence proceedings under the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36 ("**CCAA**"). The Court granted the Company's application and issued an order (the "**Initial Order**"), pursuant to which Grant Thornton Limited was appointed as monitor (the "**Monitor**") in the Company's CCAA proceedings.

On April 24, 2025, the Court granted an order (the "**SISP Order**"), authorizing the Monitor to undertake a sale and investment solicitation process ("**SISP**") for the sale of the Company's business, property, assets and undertakings (collectively, the "**Property**"). The SISP shall be conducted by the Monitor, supported by the Company and its advisors as required, in the manner set forth herein.

Defined Terms

Capitalized terms used in this SISP have the meanings given thereto in the SISP Order and previous Orders of the Court in connection with the Company's CCAA proceedings.

Overview of the Company

1. The Company operates as a dairy farm in Deer Lake, Newfoundland and Labrador, producing approximately 4.5 million litres of milk annually, or approximately 15%-20% of the island's milk production. The Company's operations include milk production, 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 (the "**Business**").

2. The purpose of the SISP is to market and solicit offers for the sale of or investment in the Company's Business. The following describes the procedures (the "**Bidding Procedures**") by which the Monitor will solicit offers and by which interested parties may participate and submit offers within the SISP.

Opportunity

3. The SISP is intended to solicit interest in, and opportunities for: (i) one or more sales or partial sales of all, substantially all, or certain portions of the Business; and/or (ii) for an investment in, restructuring, recapitalization, refinancing or other form of reorganization of the Company or its Business; and/or (iii) one or more sales or partial sales of all, substantially all, or certain portions of the Property. Bids considered pursuant to the SISP may include one or more of an investment, restructuring, recapitalization, refinancing or other form of reorganization of the Business and affairs of the Company as a going

concern or a sale (or partial sales) of all, substantially all, or certain aspects of the Property (the "**Opportunity**").

4. 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.

5. The Bidding Procedures herein describe the manner in which prospective bidders may gain access to due diligence materials concerning the Company, 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) (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.

6. The Monitor, in consultation with the Company and the DIP 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.

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

8. 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.

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

Marketing and Solicitation of Interest – Notice of SISP

10. The Monitor shall be entitled, but not obligated, to arrange for a notice of the SISP to be published in any newspaper or industry journal as the Monitor considers appropriate.

11. The Monitor, in consultation with the Company and DIP Lender, shall prepare:

    (a) a list of potential buyers (collectively, "**Interested Parties**" and individually an "**Interested Party**");

    (b) an initial offering summary ("**Solicitation Letters**");

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

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

12. The Monitor, with the assistance of the Company and its advisors, will send the Solicitation Letters and the form of the NDA to all applicable Interested Parties in accordance with the milestones set out below 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.

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

14. 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 Letters, coordinating the execution of NDAs, facilitating any requests for tours of the Company's facilities, managing the process of answering inquiries from prospective bidders, soliciting and tracking all Bids, facilitating communication between the Company and its advisors, and reviewing and negotiating transaction documentation.

15. 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.

Timeline

16. The following table sets out the key milestones and deadlines in the SISP, which milestones and deadlines may be extended or amended by the Monitor, in consultation with the Company and the DIP Lender:

Nemori Farms	
Event	**Milestone**
1. Prepare for Process Launch Includes creation of solicitation letter, target list, marketing material, confidential information memorandum and virtual data room.	As soon as practicable prior to obtaining the SISP Order
2. Launch SISP Distribute a solicitation letter to potential interested parties and facilitate due diligence, site visits and discussions with interested parties.	May 2, 2025 Within two weeks of obtaining the SISP Order
3. Stalking Horse Deadline Deadline for submissions of a Stalking Horse Bid (if any)	May 9, 2025

Nemori Farms	
Event	**Milestone**
4. Bid Deadline Deadline for submissions of binding Bids.	June 16, 2025 45 Days from Launching the SISP
5. Selection of Successful Bidder and Definitive Documents The Monitor, in consultation with the Company and the DIP Lender, will negotiate with interested parties prior to choosing the Successful Bidder, and proceed to definitive documentation.	June 23, 2025 Within one week of Bid Deadline
6. Approval Motion – Successful Bid(s) Deadline for filing of Approval Motion in respect of Successful Bidder.	June 30, 2025 As soon as practicable after the selection of Successful Bidder and execution of Definitive Documents, subject to Court availability.
7. Closing – Successful Bid(s) Anticipated deadline for closing of Successful Bidder being the Target Closing Date.	Within two weeks of Approval Motion.

Participation in SISP

17. Any Interested Party who wishes to participate in the SISP must provide to the Monitor:

    (a) an executed NDA and a letter setting forth the identity of the Interested Party, the contact information for such Interested Party, and full disclosure of the direct and indirect principals of the Interested Party. The NDA shall include an acknowledgement of the terms of the SISP and the Bidding Procedures; and

    (b) if the Monitor considers it necessary, such form of financial disclosure that allows the Monitor to make a reasonable determination as to the Interested Party's financial and other capabilities to consummate a transaction.

18. If an Interested Party: (i) has delivered an executed NDA; and (ii) has provided the Monitor with satisfactory evidence of its capability to consummate a transaction based on its financing, experience, and other relevant considerations, then such Interested Party will be determined by the Monitor to be a "**Potential Bidder**".

19. Each Potential Bidder will be prohibited from communicating with any other Potential Bidder with respect to matters relating to the SISP during the term of the SISP, without the consent of the Monitor.

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20. The Monitor with the assistance of the Company and its advisors, as required, will prepare and send to each Potential Bidder a CIM providing additional information considered relevant to the Property. The Monitor will also provide each Potential Bidder with a copy of the Solicitation Letter and access to the VDR. Potential Bidders must rely solely on their own independent review, investigation, and/or inspection of all information on the assets in connection with their participation in the SISP and any transaction resulting therefrom. The Company, the Monitor, and each of its respective directors, officers, agents, counsel, and advisors make no representation or warranty, express or implied, whatsoever as to the information (including, without limitation, with respect to its accuracy or completeness): (i) contained in the CIM, Solicitation Letter or the VDR; (ii) provided through the due diligence process or otherwise made available pursuant to the SISP; or (iii) otherwise made available to a Potential Bidder except to the extent contemplated in any definitive documentation duly executed and delivered by the successful bidder(s) (as defined below) and approved by the Company, in consultation with the Monitor, the DIP Lender and and approved by the Court.

21. At any time during the SISP, the Monitor may on consultation with the Company and the DIP Lender, in its reasonable business judgment, eliminate a Potential Bidder from the SISP, in which case such party will no longer be a Potential Bidder for the purposes of the SISP.

22. The Monitor shall afford each Potential Bidder such access to applicable due diligence materials and information pertaining to the Business of the Company as the Monitor deems appropriate in its reasonable business judgment. Due diligence access may include access to the VDR, on-site inspections, and other matters which a Potential Bidder may reasonably request and which the Monitor deems appropriate. The Monitor will designate one or more representatives to coordinate all reasonable requests for additional information and due diligence access from each Potential Bidder and the manner in which such requests must be communicated.

23. The Monitor shall not be obligated to furnish any information relating to the Company's Business and Property to any person other than to Potential Bidders.

Submission of Binding Offers

24. The Bid Deadline for submission of binding offers by a Potential Bidder (a "**Bid**") for the Property is June 16, 2025. Bids must be submitted by e-mail with the title "**Nemori Farms Ltd. – Binding Bid**" prior to the Bid Deadline to Nemori@doane.gt.ca, with a copy to Ben Chisholm, CPA (Ben.Chisholm@Doane.gt.ca).

25. Submitted Bids will be in the form of an executable agreement, a template of which the Monitor will upload to the VDR and provide to all Potential Bidders.

26. A Bid submitted by a Potential Bidder will only be considered a "**Qualified Bid**" if it complies at a minimum with the following:

    (a) it is a binding offer that has been duly executed by all required parties;

    (b) it is received by the Bid Deadline;

(c) it is accompanied by a cover letter providing the Monitor with the following information:

(i) identity of the Potential Bidder and representatives thereof who are authorized to appear and act on behalf of the Potential Bidder for all purposes regarding the contemplated transaction; and the identity of each entity or person that will be sponsoring, participating in or benefiting from the transaction contemplated by the Bid;

(ii) if the Bid is subject to financing, evidence of ability to complete financing and any conditions to financing;

(iii) written evidence, satisfactory to the Monitor, in consultation with the Company and the DIP 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;

(iv) all 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;

(v) acknowledgments and representations of the Qualified Bidder that it: (i) has had an opportunity to conduct any and all due diligence regarding the Company and its Property prior to making a Bid; (ii) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Business in making its Bid; (iii) did not rely upon any written or oral statements, representations, warranties, or guarantees whatsoever, whether express, implied, statutory or otherwise, regarding the Company or the completeness of any information provided in connection therewith, other than as expressly set forth in the Bid or other transaction document submitted with the Bid; and (iv) promptly will commence any governmental or regulatory review of the proposed transaction by the applicable competition, antitrust or other applicable governmental authorities;

(d) a Bid must be accompanied by a deposit in the amount of not less than **10%** of the cash purchase price payable on closing or total new investment contemplated, as the case may be (the "**Deposit**"), along with acknowledgement that if the Qualified Bidder is selected as the Successful Bidder (as defined below), that the Deposit will be non-refundable subject to approval of the Successful Bid (as defined below) by the Court and the terms described below;

(e) a Bid must clearly indicate:

(i) that the Potential Bidder is seeking to acquire all or substantially all of the Property whether through an asset purchase, a share purchase or a combination thereof (either one being, a "**Sale Proposal**") or some other portion of the Property (a "**Partial Sale Proposal**"); and/or

(ii) that the Potential Bidder is offering to make an investment in, restructure, recapitalize, reorganize or refinance the Company or Business (an "**Investment Proposal**").

(f) a Bid must contain a proposed allocation of the purchase price amongst the assets being acquired;

(g) a Bid must contain such other information as may be reasonably requested by the Monitor, in consultation with the Company; and

(h) a Bid shall not provide for any break fee or expense reimbursement.

27. In the case of a Sale Proposal or a Partial Sale Proposal of the Business and Property, a Qualified Bid must identify or contain the following, in addition to the requirements in paragraph 26:

(a) the purchase price or price range and key assumptions supporting the valuation and the anticipated amount of cash payable on closing of the proposed transaction;

(b) any contemplated purchase price adjustment;

(c) a description of the specific assets that are expected to be subject to the transaction and any assets or obligations expected to be excluded;

(d) a description of those liabilities and obligations (including operating liabilities, obligations to employees, and reclamation obligations) which the Potential Bidder intends to assume and which such liabilities and obligations it does not intend to assume;

(e) information sufficient for the Monitor, in consultation with the Company and the DIP Lender, to determine that the Potential Bidder has sufficient ability to satisfy and perform any liabilities or obligations assumed pursuant to subparagraph (d) above; and

(f) any other terms or conditions of the Sale Proposal or Partial Sale Proposal that the Potential Bidder believes are material to the transaction.

28. In the case of an Investment Proposal of the Company, a Qualified Bid must contain or identify the following, in addition to the requirements in paragraph 26:

(a) a description of how the Potential Bidder proposes to structure the proposed investment, restructuring, recapitalization, refinancing or reorganization;

(b) the aggregate amount of the equity and/or debt investment to be made in the Company or Business;

(c) the underlying assumptions regarding the pro forma capital structure;

(d) a description of those liabilities and obligations (including operating liabilities, obligations to employees, and reclamation obligations) which the Potential Bidder intends to assume and which such liabilities and obligations it does not intend to assume;

(e) information sufficient for the Monitor, in consultation with the Company and the DIP Lender, to determine that the Potential Bidder has sufficient ability to satisfy and perform any liabilities or obligations assumed pursuant to subparagraph (d) above; and

(f) any other terms or conditions of the Investment Proposal that the Potential Bidder believes are material to the transaction.

29. Notwithstanding the foregoing, the Monitor in consultation with the Company may waive compliance with any one or more of the requirements above and deem any such non-compliant bid to be a Qualified Bid, provided that doing so shall not constitute a waiver by the Monitor of the requirements of the paragraphs above or an obligation on the part of the Monitor to designate any other Bid as a Qualified Bid. The Monitor will be under no obligation to negotiate identical terms with, or extend identical terms to, each Potential Bidder.

30. Any Qualified Bids accepted pursuant to the SISP will be strictly subject to Court approval.

31. At the Monitor's discretion and upon consultation with the Company and the DIP Lender, the Monitor may accept any Bid prior to the Bid Deadline if, in the opinion of the Monitor, such Bid is in the best interest of the Company's creditors and stakeholders. The acceptance of any such Bid would be strictly subject to Court approval, upon notice to interested parties.

Selection of the Successful Bid(s)

32. The Monitor, in consultation with the Company and the DIP Lender may, following the receipt of any Qualified Bid, seek clarification with respect to any of the terms or conditions of such Qualified Bid and/or request and negotiate one or more amendments to such Qualified Bid.

33. The Monitor, in consultation with the Company and the DIP Lender, may negotiate with any Bidder for changes to that person's Qualified Bid. Further, in the event that any of the Qualified Bids are substantially similar, the Monitor may 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 Qualified Bid, whether or not the Monitor negotiates with any Potential Bidder.

34. The Monitor, in consultation with the Company and the DIP Lender will: (a) review and evaluate each Qualified Bid; and (b) identify the highest or otherwise best bid(s) for the Property (the "**Successful Bid**", and the Potential Bidder making such Successful Bid, the "**Successful Bidder**").

35. The definitive documentation in respect of the Successful Bid(s) must be finalized and executed no later than June 23, 2025, which definitive documentation shall be conditional

only upon the receipt of a Court order(s) and the express conditions set out therein and shall provide that the Successful Bidder(s) shall use all reasonable efforts to close the proposed transaction by no later than the Target Closing Date, or such longer period as shall be agreed to by the Monitor in consultation with the Company, the DIP Lender, the senior secured creditors, and the Successful Bidder(s). In any event, the Successful Bid(s) must be closed by no later than July 31, 2025 (the "**Outside Date**").

Approval of Successful Bid(s)

36. The Monitor shall make an application to the Court (the "**Approval Motion**") for one or more orders: (i) approving the Successful Bid(s) and authorizing the taking of such steps and actions and completing such transactions as are set out therein or required thereby; and (ii) granting a vesting order and/or reverse vesting order to the extent that such relief is contemplated by the Successful Bid(s), as applicable, so as to vest title to any purchased assets in the name of the Successful Bidder(s) and/or vesting unwanted liabilities out of the Company (collectively, the "**Approval Order(s)**"). The Approval Motion will be held on a date to be scheduled by the Monitor and confirmed by the Court upon application by the Monitor, who shall use their best efforts to schedule the Approval Motion on or before June 30, 2025, subject to Court availability. The Approval Motion may be adjourned or rescheduled by the Monitor, in consultation with the Company, the DIP Lender and the senior secured creditors, without further notice, by an announcement of the adjourned date at the Approval Motion or in a notice served electronically on the service list of the CCAA Proceedings prior to the Approval Motion.

37. All Qualified Bids (other than the Successful Bid) shall be deemed rejected on and as of the date of the closing of the Successful Bid, with no further or continuing obligation of the Monitor to any unsuccessful Qualified Bidders.

Deposits

38. The Deposit(s):

(a) shall, upon receipt from the Qualified Bidder(s), be retained by the Monitor and deposited in a non-interest-bearing trust account.

(b) received from the Successful Bidder(s), shall:

(i) be applied to the purchase price to be paid by the applicable Successful Bidder whose Successful Bid is the subject of the Approval Order(s), upon closing of the approved transaction; and

(ii) shall otherwise be held and refundable in accordance with the terms of the definitive documentation in respect of any Successful Bid, provided that all such documentation shall provide that the Deposit shall be retained by the Monitor and forfeited by the Successful Bidder if the Successful Bid fails to close by the Outside Date, and such failure is attributable directly to any failure or omission of the Successful Bidder to fulfil its obligations under the terms of the Successful Bid;

39. Deposits received from Qualified Bidder(s) that are not the Successful Bidder shall be refunded in full to the Qualified Bidder(s) that paid the Deposit(s) as soon as reasonably practicable following the selection of the Successful Bidder.

Amendment

40. The Monitor shall have the right at any time, (i) in consultation with the Company and the approval of the DIP Lender, to make material amendments to the SISP (including by extending the Bid Deadline); and (ii) in consultation with the Company and the DIP Lender, make non-material amendments to the SISP, in each case if, in the Monitor's reasonable judgment in consultation with the Company and the DIP Lender, such material or non-material amendment is likely to enhance the procedure for conducting the SISP or maximize the value of a transaction pursuant to the SISP. The Monitor shall advise the Service List in the CCAA Proceedings of any material amendment to the SISP.

41. Without limiting the foregoing and notwithstanding the process and timeline of the SISP, the Company, with the consent of the Monitor, may enter into a definitive agreement with respect to a transaction involving some or all of the Property with a party identified through the SISP or otherwise, and the Monitor may suspend or terminate the SISP, upon consultation with the Company, the Monitor and the DIP Lender and subject to Court approval.

"As is, Where is"

42. Any transaction will be on an "as is, where is" basis without surviving material representations or warranties, nature, or description by the Monitor, the Company, or any of their respective directors, officers, agents, advisors, or other representatives unless otherwise agreed in a definitive agreement.

Free of Any and All Claims and Interests

43. In the event of a sale, to the extent permitted by law and subject to Court approval, all of the rights, title and interests of the Company in and to the Property will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests thereon and there against (collectively, the "**Claims and Interests**") pursuant to section 36(6) of the CCAA, and such Claims and Interests shall attach to the net proceeds of the sale of such Property (without prejudice to any claims or causes of action regarding the priority, validity or enforceability thereof), except to the extent otherwise set forth in the relevant transaction documents with a Successful Bidder.

Stalking Horse Bids

44. A Potential Bidder may submit a stalking horse bid ("**Stalking Horse Bid**") for the Property on or before May 9, 2025. A Stalking Horse Bid must be submitted by e-mail with the title "**Nemori Farms Ltd. – Stalking Horse Bid**" to Nemori@doane.gt.ca, with a copy to Ben Chisholm, CPA (Ben.Chisholm@Doane.gt.ca).

45. The Stalking Horse Bid must comply with the requirements specified in paragraphs 26, 27, and 28. However, the Monitor in consultation with the Company, may waive compliance with any one or more of the requirements if it deems it appropriate to do so.

46. The Monitor, in consultation with the Company and the DIP Lender may, following the receipt of any Stalking Horse Bid, seek clarification with respect to any of the terms or conditions of such Stalking Horse Bid and/or request and negotiate one or more amendments to such Stalking Horse Bid.

47. The Monitor, in consultation with the Company and the DIP Lender will review and evaluate each Stalking Horse Bid and identify the highest or otherwise best Stalking Horse Bid for the Property and the Company may execute such Stalking Horse Bid (the "**Stalking Horse Agreement**") with the consent of the Monitor and DIP Lender if, in the view of the Company and the Monitor, with the consent of the DIP Lender, such Stalking Horse Bid is likely to maximize realization for stakeholders and contribute to a competitive SISP.

48. If a Stalking Horse Agreement is executed, the Monitor will seek approval of the Chosen Stalking Horse Agreement from the Court on or before May 16, 2025.

49. The Monitor shall as soon as reasonably practicable after approval of a Stalking Horse Agreement circulate the Stalking Horse Agreement to all Potential Bidders and to the service list in this CCAA proceeding with a cover letter advising Potential Bidders that any Bid must comply with the following criteria, in addition to the requirements in paragraph 26, 27, and 28:

    (a) it must provide for cash consideration sufficient to pay in full on closing of the transaction: (i) a minimum incremental amount of $100,000 in excess of the aggregate purchase price contemplated by the Chosen Stalking Horse Agreement; and (ii) a break fee in the amount specified in the Chosen Stalking Horse Agreement, if any; and

    (b) it must include a blackline of the Bid against the Stalking Horse Agreement (which shall be posted by the Monitor in Word format in the virtual data room).

Credit Bidding

50. Any party or parties holding a valid, enforceable and properly perfected security interest in the Company 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:

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

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

    (c) the outstanding amount of any priority payables (i.e. priority payables to Canada Revenue Agency, WEPPA, etc.); and

    (d) the outstanding amounts secured by a security interest in the assets to be acquired under such transaction that is senior in priority to the security interest held in such assets by the party submitted such credit bid unless the holder, trustee, or agent of any such senior secured creditor otherwise agrees.

51. Any credit bid must be submitted to the Monitor in writing no later than the Bid Deadline.

52. Any party intending to submit a credit bid must advise the Monitor of their intention no later than June 2, 2025 and shall be treated as a Potential Bidder in the SISP.

53. 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 Company.

Insider Bid / Non-Arms Length Party Bidder

54. Any insider or non-arm's length party seeking to, or intending to, submit a Stalking Horse Bid or any other Bid must declare their intention to do so in writing to the Monitor no later than May 19, 2025 at 5pm Atlantic Standard Time.

55. Should an insider or non-arms length party or parties elect to participate in the SISP, they shall be treated as a Potential Bidder pursuant to the SISP and may not receive disclosure about any other Potential Bidder or negotiations carried on in the SISP, which negotiations shall be carried on by the Monitor in consultation with the DIP Lender.

Confidentiality

56. For greater certainty other than as shall be required in connection with any Approval Motion and consultation obligations with the DIP Lender, neither the Company nor the Monitor will share: (i) the identity of any Potential Bidder or (ii) the terms of any Bid, Qualified Bid, Sale Proposal or Investment Proposal, with any other bidder without the consent of such party (including by way of email).

Further Orders

57. At any time during the SISP, the Monitor may apply to the Court for advice and directions with respect to any aspect of this SISP and the Bidding Procedures including, but not limited to, the continuation of the SISP or with respect to the discharge of its powers and duties hereunder.

Additional Terms

58. In addition to any other requirement of these Bidding Procedures:

    (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 DIP Lender, or the Company's stakeholders as a potential bidder.

(b) Any consent, approval or confirmation to be provided by the Company 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) All Potential Bidders shall at all times be granted information, access and facilitation that is no less complete and timely than is granted by the Monitor, or their representatives, to other Potential Bidders to the SISP. This shall include, without limitation, reasonable access to the Company's books, records, financial information, management, advisors and business partners. The Monitor shall review all information and materials provided by the Company or its representatives, the DIP Lender or their representatives, and the secured creditors or their representatives and, to the extent that the Monitor, in consultation with the Company, is of the view that any such information or materials are materially relevant to a Potential Bidder, then such information or materials shall be promptly posted to the VDR or otherwise made available to all Potential Bidders. Nothing in this paragraph creates binding obligations of third parties.

(d) 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.

(e) 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 filed under seal, including in respect of any and all bids received.

59. 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.

60. Before accepting a Bid, the Monitor may, in its sole discretion, negotiate with any Bidder for changes 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.

61. Submission of a Bid pursuant to the SISP will remain confidential to the Monitor, the Company, the DIP Lender, the senior secured creditors and to the Court. Neither the Monitor, nor the Company, nor the DIP Lender, nor the senior secured creditors, will share the details of any Bid received with other interested parties or bidders.

Contact

62. All questions and enquiries regarding the SISP should be directed to Nemori@Doane.gt.ca, with a copy to a representative of the Monitor, being Ben Chisholm (Ben.Chisholm@Doane.gt.ca).

Appendix D

Revised Cash Flow Forecast

Nemori Farms Ltd.
13-Week Cash Flow Projection - Prepared by Management
March 10, 2025 to July 31, 2025

	Notes	Actual 10-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	Week 14 Projected 9-Jun-25 15-Jun-25	Week 15 Projected 16-Jun-25 22-Jun-25	Week 16 Projected 23-Jun-25 29-Jun-25	Week 17 Projected 30-Jun-25 6-Jul-25	Week 18 Projected 7-Jul-25 13-Jul-25	Week 19 Projected 14-Jul-25 20-Jul-25	Week 20 Projected 21-Jul-25 27-Jul-25	Week 21 Projected 28-Jul-25 3-Aug-25	Week 1-21 Totals
Projected Receipts:																				
Milk Revenue (Advance)	[1]	84,750	–	–	–	84,750	–	–	–	–	84,750	–	–	–	84,750	–	–	–	84,750	423,750
Milk Revenue (Remainder)	[2]	231,170	–	250,000	–	–	–	212,000	–	–	–	–	250,000	–	–	–	250,000	–	–	1,193,170
HST	[3]	–	–	–	–	20,000	–	–	–	–	25,000	–	–	–	25,000	–	–	–	–	70,000
Provincial Agrifood Assistance Program		–	–	–	–	–	–	–	–	–	25,000	–	–	–	–	–	–	–	–	25,000
Total Projected Receipts		**315,920**	**–**	**250,000**	**–**	**104,750**	**–**	**212,000**	**–**	**–**	**134,750**	**–**	**250,000**	**–**	**109,750**	**–**	**250,000**	**–**	**84,750**	**1,711,920**
Projected Disbursements:																				
Feed	[4]	215,339	35,000	90,000	–	–	–	125,000	–	–	–	125,000	–	–	–	–	125,000	–	–	715,339
Payroll deductions		–	19,357	–	–	22,000	–	–	–	–	22,000	–	–	–	30,000	–	–	–	22,000	115,357
Payroll		61,179	15,000	15,000	15,000	15,000	15,000	15,000	15,000	17,000	17,000	17,000	17,000	15,000	15,000	15,000	15,000	15,000	15,000	324,179
Employee RRSP	[5]	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Crop supplies	[6]	26,126	–	135,000	–	–	–	–	–	35,000	–	–	–	–	–	–	–	–	–	196,126
Fuel	[7]	9,000	–	–	–	12,000	–	–	20,000	–	–	–	15,000	–	–	–	–	10,000	–	66,000
Cell phone		669	–	–	–	400	–	–	–	–	–	500	–	–	–	500	–	–	–	2,069
Cow purchase (net)	[8]	76,769	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	76,769
Blue cross		3,127	–	1,551	–	–	–	1,551	–	–	–	–	1,551	–	–	–	1,551	–	–	9,331
Utilities		–	–	19,000	–	–	–	–	12,000	–	–	–	–	12,000	–	–	–	12,000	–	55,000
Repairs, maintenance and veterinary care		96,074	22,000	7,500	7,500	7,500	7,500	7,500	7,500	2,500	12,500	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	258,074
Accounting and administrative	[9]	6,747	–	–	3,500	–	–	–	3,500	–	–	–	–	6,000	–	–	–	6,000	–	25,747
Insurance		10,464	–	–	10,000	–	–	–	10,000	–	–	–	–	10,000	–	–	–	10,000	–	50,464
Operating leases		–	–	–	–	7,000	–	–	–	7,000	–	–	–	–	7,000	–	–	–	7,000	28,000
Critical accounts payable	[10]	1,886	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,886
Operating disbursements		**507,379**	**91,357**	**268,051**	**36,000**	**63,900**	**22,500**	**149,051**	**68,000**	**61,500**	**51,500**	**152,500**	**43,551**	**53,000**	**62,000**	**25,500**	**151,551**	**63,000**	**54,000**	**1,924,340**
Net operating cash flows		**(191,459)**	**(91,357)**	**(18,051)**	**(36,000)**	**40,850**	**(22,500)**	**62,949**	**(68,000)**	**(61,500)**	**83,250**	**(152,500)**	**206,449**	**(53,000)**	**47,750**	**(25,500)**	**98,449**	**(63,000)**	**30,750**	**(212,420)**
Operational Improvement																				
SCAP program	[11]	(109,064)	–	–	–	40,000	–	–	–	–	–	–	–	–	–	–	–	–	–	(69,064)
Net cash flows prior to professional fees		**(300,523)**	**(91,357)**	**(18,051)**	**(36,000)**	**80,850**	**(22,500)**	**62,949**	**(68,000)**	**(61,500)**	**83,250**	**(152,500)**	**206,449**	**(53,000)**	**47,750**	**(25,500)**	**98,449**	**(63,000)**	**30,750**	**(281,484)**
Financing and Professional fees																				
DIP fees and interest		12,791	–	–	–	4,858	–	–	–	5,104	–	–	–	7,500	–	–	–	7,500	–	37,753
Monitor		–	–	40,000	–	–	20,000	–	–	–		67,426	15,000	–	20,000	–	–	–	20,000	182,426
Monitor legal counsel		–	–	10,000	–	–	–	–	–	–	20,000	–	–	–	10,000	–	–	–	10,000	50,000
Appraisal		–	–	–	10,000	–	28,750	–	–	–	–	–	–	–	–	–	–	–	–	38,750
Financial advisor		–	–	7,500	–	6,250	–	–	–	–	–	18,400	17,500	–	7,500	–	–	–	6,250	63,400
Company legal		60,478	–	–	–	–	–	–	–	–	–	–	50,000	–	15,000	–	–	–	15,000	140,478
Total professional fees		73,269	–	57,500	10,000	11,108	48,750	–	–	5,104	20,000	85,826	82,500	7,500	52,500	–	–	7,500	51,250	512,807
Net cash flows		(373,792)	(91,357)	(75,551)	(46,000)	69,742	(71,250)	62,949	(68,000)	(66,604)	63,250	(238,326)	123,949	(60,500)	(4,750)	(25,500)	98,449	(70,500)	(20,500)	(794,291)
Opening Cash Position		25,432	101,640	10,283	59,732	13,732	83,474	12,224	75,173	257,173	190,569	253,819	15,494	139,443	78,943	74,193	48,693	147,142	76,642	25,432
DIP loan proceeds (repayments)		450,000	–	125,000	–	–	–	–	250,000	–	–	–	–	–	–	–	–	–	–	825,000
Closing Cash Position		**101,640**	**10,283**	**59,732**	**13,732**	**83,474**	**12,224**	**75,173**	**257,173**	**190,569**	**253,819**	**15,494**	**139,443**	**78,943**	**74,193**	**48,693**	**147,142**	**76,642**	**56,142**	**56,142**

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 July 31, 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 April 21, 2025

Signed by:

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