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

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

October 8, 2025

Doane Grant Thornton

Grant Thornton Limited
Monitor

1000-1675 Grafton Street
Halifax, NS B3J 0E9

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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 appointed Grant Thornton Limited as monitor (in such capacity, the "**Monitor**") in the CCAA proceedings ("**CCAA Proceedings**").

2. This seventh report of the Monitor ("**Seventh 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 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.

Purpose of the Seventh Report

3. This Seventh Report has been prepared by the Monitor to provide the Court with:

   (a) an update on the status of the transaction pursuant to the executed subscription agreement dated September 4, 2025 (the "**Subscription Agreement**") between Coastal Agri Commodities Limited (the "**Purchaser**") and the Company and as approved by the Court pursuant to a reverse vesting order granted by the Honourable Justice MacDonald dated September 17, 2025 (the "**RVO**"); and

   (b) the Monitor's recommendation that the stay of proceedings be extended up to **October 17, 2025** to allow the Transaction to close on or before the outside date of **October 15, 2025** as set out in the Subscription Agreement.

Update on Closing the Transaction

4. The Subscription Agreement specifies a closing date of October 1, 2025 ("**Closing Date**") and an outside date for closing of October 15, 2025 ("**Outside Date**").

5. On September 26, 2025, counsel for the Purchaser advised it would not be able to close the transaction by the Closing Date and ultimately would require an extension up to the

Outside Date. The Monitor understands the extension request was derived from the Purchaser's financing being incomplete.

6. The Monitor understands that the Purchaser's financing arrangements have not been finalized as at the date of this Seventh Report and the transaction has not closed.

7. The Monitor has expressed concern to the Purchaser's counsel about the delay in obtaining financing, and has had multiple discussions with the Purchaser's counsel in that respect. The Monitor also requested evidence of financing in an attempt to determine whether financing was forthcoming to close the transaction.

8. On October 7, 2025 the Purchaser's counsel provided the Monitor with a letter from the Bank of Montreal ("**BMO**"), attached at **Appendix "A"**, indicating:

   (a) financing for the acquisition of Nemori Farms Ltd. by 98566 Newfoundland and Labrador Ltd., as outlined in the Share Subscription Agreement dated September 4, 2025, has been approved; and

   (b) such approval is subject to the successful completion of all conditions precedent and security requirements as set out in a Letter of Agreement between BMO and the Purchaser.

9. The Monitor has not been provided with the Letter of Agreement and is not aware of the specific conditions precedent and security requirements being requested by BMO.

10. The Monitor has been repeatedly assured by the Purchaser's counsel that the transaction will close by the Outside Date.

Extension to the Stay of Proceedings

11. The Monitor is requesting a short extension to the Stay of Proceedings to October 17, 2025 to allow the Purchaser to close the transaction by the Outside Date.

12. The Cash Flow Forecast filed in the Monitor's Sixth Report (as appended hereto as **Appendix "B"**) indicates sufficient liquidity is forecasted for this short extension.

13. However, the Monitor notes the Company's cash flow reporting to the Monitor and RBC as DIP Lender has been continuously delayed, which the Monitor understands is primarily attributed to Management working long hours on farming operations for the harvest

season. The Monitor has limited visibly into the Company's cash flow variances, and while the Company remains cash flow positive, the Monitor understands that during the five weeks ended September 28th the Company spent approximately $151k more than its forecast. The Monitor has requested copies of invoices and further explanations on these variances to understand the validity and explanations behind these expenditures.

14. The Monitor has been advised by the Company's senior secured creditor, Royal Bank of Canada ("**RBC**") that it has concerns that the delay in closing is deteriorating RBC's collateral as the Company's cash position and receivables continue to be applied to the Company's liquidity needs.

15. The Monitor is aware that the Company is expecting to receive a milk cheque on October 15, 2025, which upon closing would have been retained for the benefit of creditors. The Monitor has been advised by RBC that it is concerned about the cheque proceeds should the closing not occur by the Outside Date.

16. The Monitor has advised the Purchaser that the Monitor is holding the deposit paid by the Purchaser as non-refundable. Should closing not occur by the Outside Date, the Monitor intends to retain the deposit for distribution to creditors.

17. The Monitor has advised the Purchaser that if an extension beyond October 15, 2025 is required, the Purchaser will have to provide a further deposit and agree to terms satisfactory to RBC in respect of any further extension.

Good Faith and Due Diligence

18. As at the date of this Seventh 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 notwithstanding the Company has not provided recent cash flow reporting to the Monitor;

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

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

Further Steps in the CCAA Proceeding

19. Should the transaction close by the Outside Date, the Monitor will provide the Court with an update and seek a further extension of the stay of proceedings to facilitate the wind down of these CCAA Proceedings after closing.

20. If the transaction fails to close by the Outside Date, the Monitor will confer with RBC in respect of next steps and will provide its recommendation to the Court at that time. The Monitor expects that the failure to close the transaction could result in a material adverse change if no steps are taken to address the Company's ongoing working capital needs.

Conclusion and Recommendation

21. For the reasons set out in this Seventh Report, the Monitor recommends the Court grant the relief sought.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 8th day of October, 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

Financing Letter from Bank of Montreal

BMO Bank of Montreal

Date: October 7, 2025

To: 98566 Newfoundland and Labrador Ltd.

Re: Financing Approval – Acquisition of Assets of Nemori Farms Ltd.

Dear: Christopher Nelson and Jeff Walker.

We are pleased to confirm that financing for the acquisition of **Nemori Farms Ltd.** by **98566 Newfoundland and Labrador Ltd.**, as outlined in the **Share Subscription Agreement dated September 4, 2025**, has been **approved**.

This approval is **subject to the successful completion** of all **conditions precedent** and **security requirements** as detailed in the **Letter of Agreement** between our institution and the Borrower.

Should you have any questions or require further clarification, please do not hesitate to contact us.

Sincerely,
Tracey McIntosh
Senior Relationship Manager
BMO-Bank of Montreal/506-323-8657

Appendix B

Cash Flow Forecast- Monitor’s Sixth Report

Docusign Envelope ID: 001D3823-0466-46CC-8FA1-2ABF707C088C

Nemori Farms Ltd.
September Forecast - Prepared by Management
August 25 to October 12, 2025

	Notes	Week 25 Projected 25-Aug-25 31-Aug-25	Week 26 Projected 1-Sep-25 7-Sep-25	Week 27 Projected 8-Sep-25 14-Sep-25	Week 28 Projected 15-Sep-25 21-Sep-25	Week 29 Projected 22-Sep-25 28-Sep-25	Week 30 Projected 29-Sep-25 5-Oct-25	Week 31 Projected 6-Oct-25 12-Oct-25	Totals
Projected Receipts:									
Milk Revenue (Advance)	[1]	-	84,750	-	-	-	84,750	-	169,500
Milk Revenue (Remainder)	[2]	-	-	-	285,000	-	-	-	285,000
HST	[3]	-	-	-	-	-	-	-	–
Provincial Agrifood Assistance Program	[4]	-	-	40,000	-	-	-	-	40,000
Total Projected Receipts		**–**	**84,750**	**40,000**	**285,000**	**–**	**84,750**	**–**	**494,500**
Projected Disbursements:									
Feed	[5]	16,088	36,000	-	41,688	-	18,000	25,000	136,776
Payroll deductions		-	-	-	26,000	-	-	-	26,000
Payroll		12,500	15,000	15,000	15,000	15,000	15,000	15,000	102,500
Employee RRSP		-	-	-	-	-	-	-	–
Crop supplies	[6]	-	-	-	7,500	10,000	-	-	17,500
Fuel		-	-	5,000	10,000	-	10,000	-	25,000
Cell phone		-	500	-	-	-	500	-	1,000
Cow purchase (net)		(5,000)	-	-	-	-	-	-	(5,000)
Blue cross		-	-	1,551	-	-	-	1,551	3,102
Utilities		-	8,000	-	14,000	-	-	14,000	36,000
Repairs, maintenance and veterinary care		6,000	6,000	6,000	15,000	15,000	15,000	15,000	78,000
Veterinary care		-	3,000	-	-	3,000	-	-	6,000
Accounting and administrative	[7]	-	-	-	7,500	-	-	7,500	15,000
Insurance		-	-	-	10,000	-	-	-	10,000
Operating leases		-	8,000	-	-	-	8,000	-	16,000
Critical accounts payable	[8]	39,000	-	-	-	-	-	-	39,000
Operating disbursements		**68,588**	**76,500**	**27,551**	**146,688**	**43,000**	**66,500**	**78,051**	**506,878**
Net operating cash flows		**(68,588)**	**8,250**	**12,449**	**138,312**	**(43,000)**	**18,250**	**(78,051)**	**(12,378)**
Financing and Professional fees									
DIP fees and interest		–	7,000	–	–	7,000	–	–	14,000
Monitor		–	–	–	10,000	–	–	–	10,000
Monitor legal counsel		–	–	–	10,000	–	–	–	10,000
Appraisal		–	–	–	–	–	–	–	–
Financial advisor		–	–	–	10,000	–	–	–	10,000
Company legal		–	–	–	10,000	–	–	–	10,000
Total Professional fees		**–**	**7,000**	**–**	**40,000**	**7,000**	**–**	**–**	**54,000**
Net cash flows		**(68,588)**	**1,250**	**12,449**	**98,312**	**(50,000)**	**18,250**	**(78,051)**	**(66,378)**
Opening Cash Position		75,925	7,338	8,588	21,037	119,349	69,349	87,599	75,925
DIP loan proceeds									–
Closing Cash Position		**7,338**	**8,588**	**21,037**	**119,349**	**69,349**	**87,599**	**9,548**	**9,548**

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Nemori Farms Ltd.
September Forecast - Prepared by Management
August 25 to October 12, 2025

Purpose and Disclaimer

Purpose:
This statement of projected cash flow ("**Cash Flow Forecast**") has been prepared by Nemori Farms Ltd. ("**Company**") in accordance with s. 23(1)(b) of the Companies Creditors' Arrangement Act ("**CCAA**") for the period of August 25, 2025 to October 12, 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] The Company has outstanding post-filing returns of $35K outstanding and another $35k in progress; CRA has not yet indicated when these funds will be received.
[4] Provincial government program that supports projects that enhance food self-sufficiency, increase agricultural growth, or increase secondary processing of food products. The Company has submitted the required documentation to the province and expects the funds to be received by September 15, 2025.
[5] Based on management's estimates, adjusted for actual feed costs to date and inventory on site.
[6] Bulk of costs already incurred as planting of crops occurs in spring.
[7] Payment to contracted accountant resources, bank fees and miscellaneous office expenses.
[7] Payment for compressor required for milk parlour.

As of August 28, 2025

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