Court File No. 542329

SUPREME COURT OF NOVA SCOTIA
IN BANKRUPTCY AND INSOLVENCY

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

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

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

July 7, 2025

Grant Thornton Limited
Monitor

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Introduction

1. Pursuant to an order issued on April 16, 2025 ("**Initial Order**") by the Supreme Court of Nova Scotia in Bankruptcy and Insolvency (the "**Court**"), Mernova Medicinal Inc. ("**Mernova**") and Creso Canada Limited ("**Creso**", and together with Mernova, the "**Companies**") were granted protection under the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. *C-36* (the "**CCAA**"). Upon the issuance of the Initial Order, Grant Thornton Limited was appointed monitor ("**Monitor**") of the Companies.

2. The Initial Order, amongst other things:

   (a) established an initial stay of proceedings up to and including April 25, 2025 (the "**Stay of Proceedings**");

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

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

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

3. On April 25, 2025, the Court granted an Amended and Restated Initial Order ("**ARIO**") which provided for certain relief for the Companies including, amongst other things:

   (a) an extension of the Stay of Proceedings to July 18, 2025;

   (b) an increase to the Administration Charge to $250,000;

   (c) an increase to the D&O Charge to $300,000;

(d) approving the Companies' key employee retention plan ("**KERP**") of $200,000 and an accompanying charge ("**KERP Charge**");

(e) approval for the Companies to obtain and borrow interim financing ("**Interim Financing**") up to a maximum of $500,000 from the Companies' secured creditor, La Plata Capital, LLC ("**La Plata**", or in such capacity as, "**Interim Financing Lender**"); and

(f) granting an accompanying charge for the Interim Financing ("**Interim Financing Charge**") for the amounts advanced by the Interim Financing Lender up to the maximum of $500,000.

4. A copy of the ARIO is attached hereto as **Appendix "A"**.

5. On April 25, 2025, the Court also granted an order ("**SISP Order**") for the Monitor, in consultation with the Companies, to administer a sales and investment solicitation process ("**SISP**"). The purpose of the SISP was to solicit interest in and opportunities for a sale or investment in all, substantially all, or in one or more components of the Companies' assets and business operations. A copy of the SISP Order is attached hereto as **Appendix "B"**.

6. 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 management website ("**Case Website**") at www.DoaneGrantThornton.ca/Mernova. Readers are encouraged to read the following reports of the Monitor, the materials filed with the Court in relation to these CCAA Proceedings and orders issued by the Court to provide additional information on the Companies' background and insolvency proceedings:

Reports to the Court:

7. The following reports have previously been filed by the Monitor:

(a) Pre-Filing Report of the Monitor ("**Pre-Filing Report**"), dated April 10, 2025; and

(b) First Report of the Monitor ("**First Report**"), dated April 23, 2025.

Orders of the Court:

8. The following are the Orders that have been issued by this Court:

(a) Initial Order, dated April 16, 2025;

(b) ARIO, dated April 25, 2025;

(c) Confidentiality Order providing for the sealing of Confidential Appendix A of the First Report; and

(d) SISP Order, dated April 25, 2025.

Purpose of the Second Report

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

(a) an update on the Companies' activities since the date of the First Report;

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

(c) an update with regards to certain of the Companies' creditors;

(d) an update with regards to the Companies' Critical Suppliers;

(e) an update with regards to the actual results of the Companies' operations relative to the Extended Cash Flow Forecast as referenced in the First Report;

(f) the Monitor's views with respect to a further extended cash flow forecast to October 5, 2025 ("**October Cash Flow Forecast**");

(g) an update with regards to the marketing, solicitation, and status of the SISP as of the date of this Second Report; and

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

i. approve an extension of the Stay of Proceedings through September 30, 2025;

ii. approve an amended term sheet from the Interim Financing Lender, with the only change noted to be an extension of the maturity date to September 30, 2025;

iii. sealing of the Monitor's confidential addendum to the Second Report ("**Confidential Report**") in respect of the bids received within the SISP; and

iv. approval of the activities of the Monitor and the Monitor's counsel since the date of the Initial Order.

Terms of Reference

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

11. Some of the Information used in preparing this Second 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.

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

13. This Second Report has been prepared for the use of this Court and the Companies' stakeholders as general information relating to the Companies and these proposed CCAA Proceedings, and to assist the Court in determining whether to grant the relief sought by the Companies. Accordingly, the reader is cautioned that this Second 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 Second Report contrary to the provisions of this paragraph.

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

Activities of the Companies since the First Report

15. Since the date of the First Report, the Monitor understands the Companies have, amongst other things:

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

(b) worked with the Monitor and the Companies' legal counsel to gather information that prospective purchasers or investors may require during their due diligence within the SISP;

(c) provided bi-weekly reporting to the Monitor of the Companies' actual results relative to the Extended Cash Flow Forecast as referenced in the First Report;

(d) assisted the Monitor in its administration of the SISP, which included amongst other things:

i. providing various information and documents relating to the business, operations, and the Companies for the purposes of populating the virtual data room ("**VDR**") and drafting the confidential information memorandum ("**CIM**");

ii. answering questions from Qualified Bidders, as defined in the SISP, relating to the Companies, its operations, and business;

iii. facilitating site tours with Qualified Bidders; and

iv. reviewing and analyzing bids submitted by Qualified Bidders in the SISP in conjunction with the Monitor.

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

(f) requested the Monitor to consider whether a supplier, 9467-3266 Quebec Inc. ("**9467**"), is a Critical Supplier as defined within s. 11.4(1) of the CCAA. As discussed further below, after further discussions and analysis as between the Companies, the Monitor and 9467, the Companies and 9467 executed an agreement with the Monitor's consent confirming 9467 is a Critical Supplier and allowing the Companies to pay pre-filing arrears of $65,000 as provided for by paragraph 8 of the ARIO;

(g) maintained communication with the Monitor and the Interim Financing Lender throughout these CCAA proceedings; and

(h) assisted legal counsel and the Monitor with information required in the preparation of this Second Report.

Activities of the Monitor since the First Report

16. Since the date of the First Report the Monitor and its counsel have, amongst other things:

(a) assisted the Companies and their counsel in communicating with the Interim Financing Lender and confirming the receipt of funds advanced;

(b) prepared for, launched and administered the SISP in accordance with the SISP Order, discussed further below;

(c) communicated with various creditors and stakeholders regarding these CCAA proceedings and the SISP;

(d) attended calls with the Companies, its counsel and the Monitor's counsel in respect of matters relating to the SISP and Critical Suppliers;

(e) attended calls with Management to discuss the cash flow reporting to the Monitor and address due diligence questions from Qualified Bidders;

(f) maintained the Case Website as well as a dedicated e-mail address for inquires: Mernova@Doane.GT.ca;

(g) prepared this Second Report; and

(h) reviewed the Companies' motion materials in respect of their requested relief summarized in paragraph 9(h) of this Second Report.

Creditor Update

La Plata Capital, LLC and Briant Nominees Pty Ltd.

17. On June 3, 2025, La Plata informed the Monitor that it had purchased the Companies' first-ranking senior secured debt held by Briant Nominees Pty Ltd. ("**Briant**"), accompanied with all supporting security documents for both Briant and La Plata's debt ("**Security Documents**"). With the purchase of Briant's debt, La Plata is now the Companies senior secured creditor with total debt outstanding exceeding $10 million, inclusive of the Interim Financing.

18. The Monitor's counsel has conducted an independent review of the Security Documents provided and has concluded that the outstanding secured debt of La Plata is valid and enforceable. A copy of the security review is attached hereto as **Appendix "C"**.

19. Based on the Monitor's discussions with La Plata and the Companies, and the documentation provided by La Plata, the Monitor is not in possession of evidence that would support a clear intention of the Companies prefer La Plata over other creditors in providing the security documents. As no creditor has made a claim in the proceedings that such documents may constitute a preference, the Monitor has determined that further investigation into the matter is not warranted at this time.

Nova Scotia Power

20. On April 23, 2025, Nova Scotia Power ("**NSP**") notified the Companies that it had closed its previous power account and opened a new account for the post-CCAA energy usage. By opening this new account, NSP stated that it was of the view that a new security deposit of $127,800 was required to be paid by the Companies based on NSP's estimate of two months of average usage.

21. The Monitor understands that the Companies disagree with the imposition of the above deposit within the CCAA proceedings. On April 25, 2025, counsel to the Companies contacted NSP to request a call to discuss the deposit.

22. As a result of the cyber security attack against NSP, a representative of NSP advised counsel to the Companies on May 1, 2025, that it was unable to participate in a call or discuss the deposit until the cyber security attack was resolved.

23. As of the date of this Second Report, the Monitor understands that NSP has not yet invoiced Mernova for any usage post-CCAA. The Companies have allowed for an estimated usage of $300,000 in Week 14 of the October Cash Flow Forecast, based on prior years historical averages.

Canada Revenue Agency

24. The Monitor understands, based on its review of the actual results of the Companies' operations relative to the Extended Cash Flow Forecast, that the Companies' have made all post-CCAA excise payments to the Canada Revenue Agency ("**CRA**") in the ordinary course.

25. The Monitor also understands that the Companies are current with regards to HST filings and remittances, where applicable, however the 2024 T2 returns are outstanding as of July 1, 2025. The Monitor and the Companies are of the view that these T2 returns will be completed by the Successful Bidder, once chosen, following the close of a transaction, as any resulting transaction may have significant tax implications.

26. On May 1, 2025, CRA issued to Mernova a letter stating that it was auditing its HST account from the period of April 1, 2025 to April 16, 2025. A copy of this letter is attached hereto as **Appendix "D"**.

27. Mernova provided a response to CRA on June 4, 2025 to its various questions and supporting documentation requests.

28. CRA subsequently responded with an assessment of HST owing by Mernova for this period of $48,587.88. A copy of this assessment is attached hereto as **Appendix "E"**. The Monitor understands that the Companies do not intend to respond to CRA's notice at this time, as the Companies are of the view that the assessment is pre-mature to the conclusion of the SISP, where a potential distribution to unsecured creditors is unknown which would affect the calculation of CRA's assessment.

29. The Monitor agrees with the Companies' view and notes that it appears the entirety of CRA's assessment are pre-filing arrears, which are likely an unsecured claim. The Monitor will review this assessment, along with any other claim from CRA, should a claims process exist at a future date in these CCAA proceedings.

<u>Health Canada</u>

30. The Monitor understands that Health Canada has continued to supply cannabis regulatory stamps to Mernova post-CCAA to allow Mernova's operations to continue in the ordinary course.

Critical Suppliers

31. Pursuant to paragraph 8 of the ARIO, the Companies requested the Monitor's consent to make certain pre-filing arrears owing to 9467 as a Critical Supplier. The Monitor considered the criteria as prescribed in s. 11.4(1) of the CCAA as to whether 9467 could be deemed a critical supplier.

32. The Monitor understands that 9467 and Mernova have a supply agreement whereby 9467 supplies various cannabis strains to Mernova. Based on discussions with Management, the Monitor's review of historical operations and the Company's cash flow projections, the Monitor understands the products provided by 9467 are material to current and future operations. As of the date of the Initial Order, Mernova owed $65,957 to 9467.

33. The Monitor is supportive of the Companies' view that 9467 meets the definition of a Critical Supplier pursuant to s. 11.4(1) of the CCAA. In accordance with paragraph 8 of the ARIO, 9467 and Mernova entered into an agreement ("**9467 Agreement**") to provide for the following payments to be made with respect to 9467's pre-filing arrears owing:

    (a) initial payment of $30,000 from the Critical Supplier Pool; and

    (b) payment of the remainder of the Critical Supplier Pool, being $35,000, by June 13, 2025, should the Companies determine that there are no other Critical Suppliers.

34. The 9467 Agreement also provided for payment of the remaining balance owing to 9467, being $957, as a cure cost upon any assignment of the 2025 Supply Agreement pursuant to s. 11.3(4) of the CCAA.

35. The Monitor supported the above noted payment schedule and the 9467 Agreement, and has confirmed with the Companies that 9467 has received the entirety of the Critical Supplier Pool, being $65,000.

Summary of the Sales and Investment Solicitation Process

36. Pursuant to s. 4 of the SISP Order, the Monitor, with the assistance of the Companies, was authorized and empowered to implement and administer the SISP as per the Sales and Investment Solicitation Process Bidding Procedures ("**SISP Procedures**"). The Monitor notes that a sales advisor was not engaged during the administration of the SISP.

37. The SISP Procedures provided for the following timeline and milestones ("**SISP Timelines**"):

SISP Milestone	Deadline
Monitor and the Companies to create list of Interested Parties	April 25, 2025
Monitor to prepare and have a virtual data room available for Interested Parties	May 9, 2025
Monitor to distribute the Solicitation Letter and confidentiality agreement to Interested Parties	May 12, 2025
Credit bidders and non-arms length party required to provide notice of participation	May 31, 2025
Bid Deadline	**June 23, 2025**
Selection of Successful Bid	July 3, 2025
Court approval of Successful Bid	July 17, 2025
Target closing date	July 31, 2025

Marketing of the SISP

38. Pursuant to s. 20 of the SISP Procedures, the Monitor and the Companies developed a targeted list of 74 potentially interested parties to solicit interest in the opportunity, summarized below by category (collectively, the "**Interested Parties**"):

Summary of Potentially Interested Parties	
Cannabis	21
First Nation	19
Private equity	13
Agriculture	8
Real estate	4
Local to Mernova facility	4
Local government and/or agencies	3
Advisory services	2
Total	**74**

39. A detailed list of the Interested Parties summarized above is attached to the Confidential Report.

40. The Monitor also ran advertisements of the SISP and the opportunity in the following publications:

(a) allNovaScotia, allNewfoundland and allNewBrunswick from May 12, 2025 to May 26, 2025. A copy of the advertisement, along with statistics on its performance, is attached hereto as **Appendix "F"**.

(b) StratCann Services Inc., an online publication of the legal Canadian cannabis sector, from May 13, 2025 to June 23, 2025. A copy of the advertisement is attached hereto as **Appendix "G"**.

41. Pursuant to s. 20 of the SISP Procedures, the Monitor prepared the following:

(a) a letter outlining the opportunity for solicitation to potentially interested parties ("**Solicitation Letter**"), a copy of which is attached hereto as **Appendix "H"**;

(b) a non disclosure and confidentiality agreement ("**NDA**"**)**; and

(c) a VDR, which included various due diligence documents provided by the Companies, and the confidential information memorandum ("**CIM**").

42. The Monitor officially launched the SISP on May 9, 2025, by sending the Solicitation Letter via email to the Interested Parties. A copy of the email is attached hereto as **Appendix "I"**. On May 13, 2025, the Monitor made available the VDR and CIM to Interested Parties who executed the NDA, becoming Potential Bidders in the SISP.

43. In addition to the Interested Parties, the Monitor also provided a copy of the Solicitation Letter to all Doane Grant Thornton LLP's Partners and Principals within Atlantic Canada to distribute the SISP and opportunity to their respective clients and networks.

Qualified Bidders

44. From its solicitation efforts of the SISP opportunity, the Monitor collected six fully executed NDA's from interested parties who were subsequently granted access to the VDR and became qualified bidders as defined within the SISP Procedures (collectively, "**Qualified Bidders**").

45. Prior to launching the SISP, La Plata had communicated to the Monitor that it was considering entering a credit bid within the SISP and further, that La Plata's preference would be to advance its credit bid with another local Interested Party, in a form to be determined. The Monitor understands that La Plata is in the business of providing debt financing, and the market for cannabis financing in Canada is limited as many chartered banks and credit unions will not advance credit for such businesses. At the launch of the SISP, the Monitor published a notice in the VDR to communicate La Plata's interest in partnering with another Interested Party in the SISP to finance a Bid, a copy of which is attached hereto as **Appendix "J"**.

46. While La Plata indicated to the Monitor that it may submit a credit bid within the SISP, the Monitor understands that, generally, La Plata is not in the business of owning companies, but rather it would prefer to advance debt financing options to borrowers. It is in this vein that the Monitor understands La Plata was interested in, and would have preferred to, work with another Qualified Bidder to advance a form of joint bid. The Monitor understands that the general concept of a joint bid, as described by La Plata, would provide for (i) some consideration advanced to La Plata, either at closing or post-closing, and (ii) the other Qualified Bidder would be the operating and "business mind" of the Companies.

47. On May 21, 2025, La Plata executed an NDA at the request of the Monitor, providing for La Plata's agreement to all terms of the SISP Procedures. Subsequently, on May 28, 2025, La Plata confirmed to the Monitor that it intends to submit a credit bid, pursuant to paragraph 35 of the SISP Procedures.

48. Most Qualified Bidders within the SISP expressed an interest in pursuing a joint bid or similar opportunity with La Plata, requiring financing by La Plata to advance a Bid in the SISP. Prior to any communication between La Plata and individual Qualified Bidders, and in an effort to maintain the integrity, transparency and competitive tension within the SISP, the Monitor outlined to La Plata the Monitor's requirements and conditions for such discussions to occur. A copy of the Monitor's conditions to advance such discussions, including confirmation from La Plata to its agreement thereof, is attached hereto as **Appendix "K"**. Generally, the Monitor's requirements consisted of:

(a) the Monitor is to post another communication to Qualified Bidders within the VDR advising that La Plata is now a Qualified Bidder with its notification that it intends to submit a credit bid;

(b) the Monitor is to facilitate all communication as between La Plata and individual Qualified Bidders, whether it be through email, phone or video calls, or in-person discussions. In short, while the Monitor was willing to indulge Qualified Bidders in their discussions with La Plata for financing a potential Bid in the SISP, no communication between La Plata and another Qualified Bidder could occur without the Monitor being present, and the Monitor made it clear that Qualified Bidders did not need to use La Plata's financing to be declared the Successful Bidder by the Monitor

(c) La Plata is not to discuss with Qualified Bidders the details of La Plata's credit bid, La Plata's discussions with other Qualified Bidders, disclosure of the identities of the other Qualified Bidders and/or any discussion of a potential bid to be made within the SISP; and

(d) ahead of the initial call as between La Plata and a Qualified Bidder to discuss a potential joint bid, financing or otherwise, the Monitor would read a pre-drafted script to outline the guidelines, terms and conditions for participating in the calls, the details of which were included within the email to La Plata attached as **Appendix "K"**.

49. As outlined above, the Monitor published a communication to all Qualified Bidders within the VDR on June 6, 2025, a copy of which is attached hereto as **Appendix "L"**.

50. The Monitor notes that the feedback received from Qualified Bidders in working with La Plata to advance a joint bid was largely:

(a) La Plata was willing and able to finance a transaction within the SISP. As the Companies' operations consist of cannabis growth and distribution, most chartered banks and many private lenders are unwilling to advance funds to cannabis entities given a perception in the market of operations being volatile with increased rate of insolvency amongst cannabis companies throughout Canada.

(b) If a joint bid could be determined to be mutually beneficial to both the Qualified Bidder and La Plata, aside from an all cash bid, a joint bid would be the most expeditious form of a transaction. Should a bid be made with external financing being required, and given the concerns outlined above, this may create delays closing of a transaction.

51. As of the date of this Second Report, the Monitor is NOT aware of any Qualified Bidders, including La Plata:

(a) violating the SISP Procedures, with specific reference including, but not limited to, s. 28 and 48;

(b) contravening the Monitor's outlined requirements, terms and conditions, detailed within the communication to La Plata attached as **Appendix "K"**, also containing the script read to all Qualified Bidders prior to any discussions held; or

(c) holding discussions without the Monitor present prior to bids being received by Qualified Bidders.

52. The Monitor is also NOT aware of La Plata communicating details of its credit bid, or details of potential bids from Qualified Bidders, to other Qualified Bidders.

53. As La Plata would need to effectively underwrite a loan in order to advance a joint bid with another Qualified Bidder in the SISP, La Plata's request to Qualified Bidders of a suggested timeline to allow for sufficient advancement of a joint bid was included within the communication to Qualified Bidders on June 6, 2025, attached as **Appendix "L."** The Monitor confirmed within the same letter that these timelines were at La Plata's request, and did not supersede the timelines provided for within the SISP Procedures. Ultimately, each Qualified Bidder advanced their respective Bids in the SISP in accordance with the SISP Procedures and prior to the Bid Deadline.

54. The Monitor is of the view that La Plata's participation and discussions with Qualified Bidders in an effort to potentially advance a joint bid was commercially reasonable in the circumstances and consistent with the procedures as outlined in the SISP, as:

(a) the discussions allowed for Qualified Bidders to consider submission of a bid using La Plata as a willing financial partner, providing further options which may not have been considered or available. This consideration was significant as most financial institutions will not underwrite loans to companies that operate within the cannabis industry;

(b) the discussions allowed for La Plata to engage with Qualified Bidders that have relevant experience in the cannabis industry within Atlantic Canada; and

(c) the discussions provided for increased competitive tension within the SISP, with significant oversight by the Monitor, following the disclosure that La Plata may submit a credit bid.

Results and Bids Received

55. At the Bid Deadline on June 23, 2025, the Monitor received a credit bid from La Plata (“**Credit Bid**”) and a series of bids from three Qualified Bidders (collectively, “**Binding Bids**”). Details of the Binding Bids, including the Monitor’s analysis thereon, are included within the Confidential Report.

56. Upon initial review of the Binding Bids, and in consultation with the Companies, the Monitor requested permission of each Qualified Bidder who submitted a bid to share their bid with La Plata for its views and consideration given the nature of the Bids received. This request was due to all Binding Bids, upon initial submission, requiring some form of post-closing financing or consideration from La Plata to facilitate a transaction. All Qualified Bidders that submitted a bid provided their approval for the Monitor to discuss their bid with La Plata.

57. On June 23 and 24, 2025, the Monitor continued discussions with the Companies and La Plata of the Binding Bids. After consultation, the Monitor provided the opportunity for certain Qualified Bidders to enhance or improve their bid by no later than noon on June 27, 2025.

58. On June 27, 2025, the Monitor received several improved bids from the Qualified Bidders (collectively, “**Improved Binding Bids**”) and re-confirmed with each Qualified Bidder that the Monitor could share the improved bid with La Plata. The Monitor reviewed and

discussed the Improved Binding Bids with both the Companies and La Plata to consider their respective views on each.

59. On July 3, 2025, the Monitor, after consultation with the Companies, rejected all but one of the Improved Binding Bids and the Credit Bid.

Extension of the SISP

60. On July 2, 2025, pursuant to s. 19 of the SISP Procedures, with consultation and support from the Companies and the Interim Financing Lender, the Monitor extended the SISP Timelines as follows:

SISP Milestone	Deadline
Selection of Successful Bid	July 10, 2025

61. The Monitor communicated this extension and above dates with the sole remaining Qualified Bidder and La Plata. The Monitor is of the view that this extension (i) is commercially reasonable in the circumstances, (ii) provides for necessary additional time for the Monitor and the Companies to consider and negotiate the best bid to ultimately become the Successful Bid, and (iii) takes into consideration the Court's availability to hear a motion to approve a transaction at a hearing in August 2025.

Request for the Sealing of the Confidential Report

62. The Monitor has submitted a Confidential Report to the Court. The Confidential Report contains commercially sensitive information pertaining to the SISP that, if released prior to the closing of a transaction, could be detrimental to the SISP, the Companies, and all stakeholders in the event the transaction does not close The Monitor is of the view that the requested sealing order is the least obtrusive method to protect an important public interest.

63. The Monitor respectfully recommends that this Honourable Court provide for a sealing order of the Confidential Report to either:

(a) the closing of a transaction within the SISP, as to be approved by the Court;

(b) the conclusion of these CCAA proceedings; or

(c) 3 months from the date of this Second Report.

Performance Relative to Extended Cash Flow Forecast

64. A summary of the Companies' budget to actual results compared with the Extended Cash Flow Forecast included in the First Report is attached hereto as **Appendix "M"** and summarized in the table below:

Mernova Group Extended Cash Flow Forecast – Variance of Weeks 1-12 April 7, 2025 to June 29, 2025			
	Budget	**Actual**	**Variance**
Cannabis revenues	$2,171,850	$3,056,583	$884,733
Operating disbursements	2,249,232	2,281,817	(32,585)
Net operating cash flows	**$ (77,382)**	**$ 774,766**	**$852,148**
Restructuring fees	398,025	260,494	137,531
Net cash flows	**$(475,407)**	**$ 514,272**	**$989,679**
Opening cash	89,104	89,104	
Interim Financing	500,000	499,899	(101)
Closing cash	**$ 113,697**	**$1,103,275**	**$989,578**

65. The Companies provided the Monitor with bi-weekly updates regarding the actual results compared to the Extended Cash Flow Forecast. The Monitor shared these results with La Plata in its capacity as Interim Financing Lender.

66. The Monitor understands that the key variances to the Extended Cash Flow Forecast are as follows:

(a) Cannabis revenues higher than forecast by $885k due to stronger sales and increased collection efforts by Management;

(b) Operational disbursements overall below forecast by $825k due mostly to:

i. Bulk cannabis over forecast $486k due to increased demand from customers, partially offset by Vape/Live Roson being under forecast by $119k;

ii. Other operating over forecast $99k due to additional lighting and climate control costs;

iii. Supplies, packaging and production over forecast $78k due to additional supplies required for increase demand from customers;

iv. Utilities under forecast $247k due to no invoice having yet been received from NSP;

v. Excise taxes under forecast $205k mostly due to timing, with May excise taxes owing to be paid in Week 13; and

vi. Payroll and employee benefits under forecast $77k due to delayed start to additional casual positions.

(c) Restructuring fees under forecast $138k due to timing of payments to professionals and lower than forecasted fees overall.

October Cash Flow Forecast

67. The October Cash Flow Forecast has been prepared by the Companies to project the cash requirements through the proposed extension of the Stay of Proceedings, September 30, 2025. The October Cash Flow Forecast is attached as **Appendix "N"**.

68. The Monitor has worked with the Companies to review the Revised Cash Flow Forecast to understand Management's assumptions in its projections of receipts and disbursements. The Monitor has compared the October Cash Flow Forecast relative to the actual results through the date of this Second Report noted in paragraph 64.

69. A summary of the October Cash Flow Forecast is shown below:

Mernova Group Summary of the October Cash Flow Forecast		
		Weeks 13-26
Cannabis revenues	$	3,279,403
Operating disbursements		3,624,876
Net operating cash flows	**$**	**(345,473)**
Restructuring fees		(461,176)
Net cash flows	**$**	**(806,649**
Opening cash		1,103,376
Closing cash	**$**	**296,727**

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

71. The Monitor has reviewed the October 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 Companies. The Monitor's review of the October Cash Flow Forecast consisted of inquiries, analytical procedures, and discussions related to information supplied to the Monitor by Management. Since the Probable and Hypothetical Assumptions need not be supported, the Monitor's procedures with respect to same were limited to evaluating whether they were consistent with the purpose of the October Cash Flow Forecast and the Monitor's understanding of the business. The Monitor has also reviewed the support provided by the Companies for the Probable and Hypothetical Assumptions and the preparation and presentation of the October Cash Flow Forecast.

72. 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 October Cash Flow Forecast;

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

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

73. Since the October 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 October 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.

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

Extension of the Stay of Proceedings

75. The Companies' seek to extend the Stay of Proceedings through to September 30, 2025. The proposed extension of the Stay of Proceedings is required due to the extended SISP Timelines, discussed herein this Second Report.

76. The Monitor is not aware of any creditor that would be materially prejudiced by the proposed extension of the Stay of Proceedings. Based on the projected cash availability of the Companies' on the October Cash Flow Forecast, the Monitor is supportive of the Companies' request to extend the Stay of Proceedings through to September 30, 2025.

Amended Interim Financing Term Sheet

77. The Monitor notes that the Interim Financing term sheet as approved by the Court in the ARIO has a maturity date of July 31, 2025. Given the SISP Timelines have been extended, the Companies have executed a revised Interim Financing term sheet attached as Exhibit "B" to the sworn affidavit of Micheline MacKay dated on, or around, July 7, 2025.

78. The Monitor has reviewed this revised Interim Financing term sheet and notes the only change has been to allow for an extension of the maturity date to September 30, 2025. The Monitor is of the view that this is commercially reasonable and is consistent with the objectives of the Companies and the SISP.

Next Steps within the CCAA Proceedings

79. As noted within paragraph 60 of this Second Report, the SISP Timelines have been extended to July 10, 2025 for the selection of the Successful Bid.

80. The Companies will request a hearing to be scheduled in August 2025, subject to the Court's availability, to hear a motion to request approval of a transaction with the Successful Bidder, once selected.

Good Faith and Due Diligence

81. As at the date of this Second Report, the Monitor:

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

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

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

Conclusion and Recommendation of the Monitor

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

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 7th day of July, 2025.

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

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

Appendix A

ARIO dated April 25, 2025

SUPREME COURT
OF NOVA SCOTIA
APR 2 5 2025
HALIFAX, N.S.

2025 Hfx No. 542329

SUPREME COURT OF NOVA SCOTIA

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

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

SUPREME COURT NOVA SCOTIA
FORIS ARMA DOMI CONSILIUM

AMENDED AND RESTATED INITIAL ORDER

Before the Honourable Justice Bodurtha in chambers:

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

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

Party	Counsel
Creso Canada Limited 1300 - 1969 Upper Water Street Purdy's Wharf Tower II Halifax, NS B3J 3R7	**MLT Aikins LLP** 2100 Livingston Place 222 3rd Ave SW Calgary, AB T2P 0B4
Mernova Medicinal Inc. 50 Ivey Lane Windsor, NS B0N 2T0	**Ryan Zahara** Tel: 403-693-5420 Email: rzahara@mltaikins.com
Micheline MacKay Email: micheline.mackay@mernova.com	**Chris Nyberg** Tel: 403-693-2636 Email: cnyberg@mltaikins.com
	- and -
	Cox & Palmer Suite 1500 – 1625 Grafton Street

Halifax, NS B3J 0E8

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

Monitor, **Grant Thornton Limited**
1675 Grafton St Suite 1000
Halifax, NS B3J 0E9

Liam Murphy
Tel: 782-409-1667
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Stewart McKelvey
600-1741 Lower Water Street
Halifax, NS B3J 0J2

David Wedlake
Tel: 902-444-1705
Email: dwedlake@stewartmckelvey.com

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

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

SERVICE

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

APPLICATION

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

Plan of Arrangement

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

POSSESSION OF PROPERTY AND OPERATIONS

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

5. The Companies shall be entitled to continue to utilize the central cash management system currently in place as described in the Affidavit of Micheline Mackay sworn on April 9, 2025, or replace it with another substantially similar central cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicant of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Companies, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard

to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

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

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

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

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

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

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

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

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

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

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

(b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Companies in connection with the sale of goods and services by the Companies, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected following April 16, 2025 but not required to be remitted until on or after the date of this Order; and

(c) any amount payable to the Crown in right of Canada or of any Province or any regulatory or administrative body or any other authority, in all cases in respect of municipal realty, municipal business, or other taxes, assessments or levies of any nature or kind which are: (i) entitled at law to be paid in priority to claims of secured creditors; (ii) attributable to or in respect of the ongoing Business carried on by the Companies; and (iii) payable in respect of the period commencing on or after April 16, 2025.

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

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

interests, trusts, liens, charges, or encumbrances upon or in respect of any of their Property; and (iii) to not grant credit or incur liabilities except in the ordinary course of the Business or with the prior written approval of the Monitor.

RESTRUCTURING

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

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

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

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

(d) in accordance with the ordinary course of business, dispose of redundant or nonmaterial assets not exceeding $100,000 in value; provided that the Companies shall be permitted to dispose of cannabis inventory with a value of $100,000 or more so long as it is done so in accordance with applicable law and with the prior consent of the Monitor.

NO PROCEEDINGS AGAINST THE COMPANIES OR THE PROPERTY

13. Until and including the day of July 18, 2025 or such later date as this Court may order (the "**Stay Period**"), no claim, grievance, application, action, suit, right or remedy, or proceeding or enforcement process in any court, tribunal, or arbitration association (each, a "**Proceeding**") shall be commenced, continued, or enforced against or in respect of any of the Companies or the Monitor, or affecting the Business or the Property, except with the written consent of the Companies, and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Companies or affecting the Business or the Property are hereby stayed and suspended pending further order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

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

NO INTERFERENCE WITH RIGHTS

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

CONTINUATION OF SERVICES

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

NON-DEROGATION OF RIGHTS

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

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

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

APPOINTMENT OF MONITOR

19. Grant Thornton Limited is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the Business and financial affairs of the Companies, the Property, and the Companies' conduct of the Business with the powers and obligations set out in the CCAA or set forth herein and the Companies and their shareholders, officers, directors, employees and assistants and shall advise the Monitor of all material steps taken

by the Applicant pursuant to this Order, cooperate fully with the Monitor in the exercise of its powers and discharge of its obligations, and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

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

(a) monitor the Companies' receipts and disbursements;

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

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

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

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

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

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

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

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

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

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

23. The Monitor shall provide any creditor of the Companies with information provided by the Companies 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 Companies 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 Companies may agree.

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

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

ADMINISTRATIVE CHARGE

26. The Monitor, the Monitor's counsel, and the Applicants' counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Companies' Property, which absent further order from this Court such charge shall not exceed an aggregate amount of $250,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 40 and 41 herein.

D&O CHARGE

27. The Companies shall indemnify their current directors and officers (the "**Current Directors and Officers**") against obligations and liabilities that they may incur as directors or

officers of the Companies after the commencement of the within proceedings, except that to the extant that with respect to any officer or director, the obligation or liability was incurred as a result of such directors or officers' gross negligence or wilful misconduct.

28. The Current Directors and Officers of the Companies shall be entitled to the benefit of and are hereby granted a charge (the **"D&O Charge"**) on the Companies' Property, which absent further order from this Court such charge shall not exceed an aggregate amount of $300,000, as security for the indemnity provided in paragraph 28. The D&O Charge shall have the priority set out in paragraphs 40 and 41 herein.

29. Notwithstanding any language in any applicable insurance policy to the contrary, (i) no insurer shall be entitled to be subrogated to or claim the benefit of the D&O Charge, and (ii) the Current Directors and Officers shall only be entitled to the benefit of the D&O Charge to the extent that they do not have coverage under any directors' or officers' insurance policy, or to the extent such coverage is insufficient to pay amounts indemnified in accordance with paragraph 31 of this Order.

INTERIM FINANCING AGREEMENT AND CHARGE

30. The Applicants are hereby authorized and empowered to obtain and borrow under a credit facility from the La Plata Capital, LLC (the "**Interim Lender**") in order to finance the Applicants' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed the principal amount of $500,000 unless permitted by further Order of this Court.

31. Such credit facility shall be on the terms and subject to the conditions set forth in the Interim Financing Agreement between the Applicants and the Interim Lender dated

April 21, 2025 (as amended or restated from time to time, the "**Interim Financing Agreement**"), appended to the Second MacKay Affidavit at Exhibit "A" as same may be amended from time to time with the Monitor's written consent provided any amendment may not affect a secured creditor's rights without further order of this Court.

32. The Applicants are hereby authorized and empowered to execute the Interim Financing Agreement and deliver such credit agreements, mortgages, charges, hypothecs, and security documents, guarantees and other definitive documents (collectively, the "**Definitive Documents**"), as are contemplated in the Interim Financing Agreement or as may be reasonably required by the Interim Lender pursuant to the terms thereof, and the Applicants are hereby authorized and directed to pay and perform all of their indebtedness, interest, fees, liabilities, and obligations to the Interim Lender under and pursuant to the Interim Financing Agreement and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

33. The Interim Lender shall be entitled to the benefits of and is hereby granted a charge (the "**Interim Financing Charge**") on the Property to secure all obligations under the Definitive Documents incurred on or after the date of this Order which charge shall not exceed the aggregate amount advanced on or after the date of this Order under the Interim Financing Agreement or the Definitive Documents, plus all accrued interest, fees and costs, as applicable, under the Interim Financing Agreement. The Interim Financing Charge shall have the priority set out in paragraphs 40 and 41 herein.

34. Notwithstanding any other provision of this Order:

(a) the Interim Lender may take steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the Interim Financing Charge or any Definitive Documents;

(b) upon the occurrence of an event of default under the Definitive Documents or the Interim Financing Charge, the Interim Lender, upon 3 days' notice to the Applicants and the Monitor, may exercise any and all of its rights and remedies against the Applicants or the Property under or pursuant to the Interim Financing Agreement, the Definitive Documents, and the Interim Financing Charge; and

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

35. The Interim Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicants under the CCAA, or any proposal filed by the Applicants under the *Bankruptcy and Insolvency Act* of Canada (the "**BIA**"), with respect to any advances made under the Definitive Documents.

KEY EMPLOYEE RETENTION PLAN

36. The Key Employee Retention Plan (the "**KERP**"), as described in the Second MacKay Affidavit and appended in unredacted form to the Confidential Appendix of the First Report, is hereby approved and the Applicants are authorized to make payments contemplated thereunder in accordance with the terms and conditions of the KERP, with

such minor alterations, changes, amendments, deletions or additions, made thereto, with the consent of the Monitor, save an except with respect to the quantum of the KERP.

37. Payments by the Applicants pursuant to the KERP do not and shall not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

38. The key employee referred to in the KERP (the "**Key Employees**") shall be entitled to the benefit of and are hereby granted a charge on the Property, which charge shall not exceed an aggregate amount of $200,000 (the "**KERP Charge**"), as security for amounts payable to the Key Employees pursuant to the KERP. The KERP Charge shall have the priority set out in paragraphs 40 and 41 herein.

VALIDITY AND PRIORITY OF THE CHARGES CREATED BY THIS ORDER

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

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

(a) First - Administration Charge (to the maximum amount of $250,000);

(b) Second - D&O Charge to the maximum amount of $300,000);

(c) Third – KERP Charge (to the maximum amount of $200,000); and

(d) Fourth – Interim Financing Charge (to the maximum aggregate principal amount of $500,000, plus applicable costs and interest;).

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

42. The Companies and beneficiaries of the Charges shall be entitled, upon giving notice to parties likely affected, to seek an order changing the amount of the Charges or providing the Charges shall rank in priority to other parties.

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

44. The Charges, Interim Financing Agreement, and the Definitive Documents shall not be rendered invalid or unenforceable and the rights and remedies of the beneficiaries of the Charges shall not otherwise be limited or impaired in any way by: (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application for a bankruptcy order issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made

pursuant to the BIA; or (d) any negative covenants, prohibitions, or other similar provisions with respect to borrowings, incurring debt or the creation of encumbrances, contained in any existing loan documents, lease, sublease, offer to lease, or other agreement (collectively, an "**Agreement**") which binds the Companies, and notwithstanding any provision to the contrary in any Agreement:

(a) the creation of the Charges nor the execution, delivery, perfection, registration, or performance of the Interim Financing Agreement or the Definitive Documents shall not create or be deemed to constitute a breach by the Companies of any Agreement to which they are party;

(b) none of the beneficiaries of the Charges shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Companies entering into the Interim Financing Agreement, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and

(c) the payments made by the Companies pursuant to this Order, Interim Financing Agreement 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.

SERVICE AND NOTICE

45. The Monitor shall: (i) without delay, publish in AllNovaScotia.com a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A)

make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Companies of more than $1,000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with section 23(1)(a) of the CCAA and the regulations made thereunder.

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

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

GENERAL

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

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

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

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

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

53. This Order and all of its provisions are effective as of 12:00 a.m. (Atlantic Standard Time) on the 25th day of April, 2025.

Issued April 25, 2025

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

APR 25 2025

Deputy Prothonotary

MYRA JANES
Deputy Prothonotary

~~Prothonotary~~

MYRA JANES
Deputy Prothonotary

4142-9676-9116
1389-4413-4934v7

Appendix B

SISP Order dated April 25, 2025

SUPREME COURT
OF NOVA SCOTIA
APR 2 5 2025
HALIFAX, N.S.

2025 Hfx No. 542329

SUPREME COURT OF NOVA SCOTIA

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

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

SUPREME COURT NOVA SCOTIA FORIS ARMA DOMI CONSILIUM

SALES AND INVESTMENT SOLICITATION APPROVAL ORDER

Before the Honourable Justice Bodurtha in chambers:

Creso Canada Limited and Mernova Medicinal Inc. (the "**Applicants** or the "**Companies**") applied for relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 as amended (the "**CCAA**") including an Initial Order, which was granted by Justice Bodurtha and an Amended and Restated Initial Order;

The Applicants now move for an order (i) approving a sale and investment solicitation process substantially in the form attached hereto as **Schedule "A"** (the "**SISP**") in respect of the business and assets of the Companies; and (ii) authorizing Grant Thornton Limited, in its capacity as monitor (the "**Monitor**") to oversee the SISP in accordance with the terms of the SISP.

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

Party	Counsel
Creso Canada Limited 1300 - 1969 Upper Water Street Purdy's Wharf Tower II Halifax, NS B3J 3R7	**MLT Aikins LLP** 2100 Livingston Place 222 3rd Ave SW Calgary, AB T2P 0B4
Mernova Medicinal Inc. 50 Ivey Lane	**Ryan Zahara** Tel: 403-693-5420

Windsor, NS B0N 2T0

Micheline MacKay
Email: micheline.mackay@mernova.com

Email: rzahara@mltaikins.com

Chris Nyberg
Tel: 403-693-2636
Email: cnyberg@mltaikins.com

- and -

Cox & Palmer
Suite 1500 – 1625 Grafton Street
Halifax, NS B3J 0E8

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

Monitor, **Grant Thornton Limited**
1675 Grafton St Suite 1000
Halifax, NS B3J 0E9

Liam Murphy
Tel: 782-409-1667
Email: Liam.Murphy@doane.gt.ca

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

David Wedlake
Tel: 902-444-1705
Email: dwedlake@stewartmckelvey.com

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

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

SERVICE

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

INTERPRETATION

2. Capitalized terms used in this Order and not otherwise defined herein shall have the meaning ascribed to them under the SISP.

APPROVAL OF SALE AND INVESTMENT SOLICITATION PROCESS

3. The SISP is hereby approved.

4. The Monitor, with the assistance of the Companies, and if deemed necessary by the Monitor, a Sales Advisor (as defined in the SISP), are hereby authorized and empowered to proceed, carry out, and implement the SISP and all corresponding sales, marketing, or tendering processes, including any and all actions related thereto, substantially in accordance with the SISP.

5. The Monitor, the Companies, and the Sale Advisor(s) are further hereby authorized and empowered to take such steps as they consider necessary or appropriate in carrying out each of their respective obligations under the SISP, subject to approval of this Court being obtained before the completion of any transaction(s) resulting from the SISP.

6. The Monitor, the Applicants, the Sales Advisor(s), and any interest person, are hereby authorized and empowered to apply to this Court to amend, vary, or seek any advice, directions or the approval or vesting of any transactions, in connection with the SISP.

7. The Monitor and its affiliates, partners, directors, employees, agents and controlling persons shall have no liability with respect to any and all losses, claims, damages or liabilities, of any nature or kind, to any person in connection with or as a result of the conducting of the SISP, except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct of the Monitor in performing its obligations under the SISP Procedure, as determined by this Court.

8. Pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Applicants, the Monitor and their respective advisors are hereby authorized and permitted, subject to the execution of a non-disclosure agreement, to disclose and transfer to prospective SISP participants (each, a "**SISP Participant**") and their advisors personal information of identifiable individuals but only to the extent desirable or required to negotiate or attempt to complete a transaction pursuant to the SISP (a "**Transaction**"). Each SISP Participant to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation for the purpose of effecting a Transaction, and if it does not complete a Transaction, shall return all such information to the Applicants or the Monitor, or in the alternative destroy all such information and provide confirmation of its destruction if requested by the Applicants or the Monitor. Any Successful Party shall maintain and protect the privacy of such information and, upon closing of the Transaction(s) contemplated in the Successful Bid(s), shall be entitled to use the personal information provided to it that is related to the Business and/or Property acquired pursuant to the SISP in a manner that is in all material respects identical to the prior use of such information by the Applicants, and shall return all other personal information to the Applicants or the Monitor, or ensure that all other personal information is destroyed and provide confirmation of its destruction if requested by the Applicants or the Monitor.

GENERAL

9. The aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction outside Nova Scotia, is requested to give effect to this Order and to assist the Companies, the Monitor and their respective agents in carrying out the terms of this Order. All

courts, tribunals, and regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Companies, and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Companies, and the Monitor and their respective agents in carrying out the terms of this Order.

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

11. This Order and all of its provisions are effective as of 12:00 am (Atlantic Standard Time) on the 25th day of April, 2025.

Issued April 25, 2025

~~Prothonotary~~
MYRA JANES
Deputy Prothonotary

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

APR 25 2025

Deputy Prothonotary

MYRA JANES
Deputy Prothonotary

4143-9743-2412
1391-1190-7094v7

SCHEDULE "A"

[To Insert SISP]

Sales and Investment Solicitation Process Bidding Procedures

Mernova Group

Introduction

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

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

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

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

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

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

Doane
Grant Thornton

Overview of the Vendors & Purpose of SISP

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

8. The purpose of the SISP is to:

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

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

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

Opportunity

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

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

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

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

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

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

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

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

Timeline

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

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

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

Solicitation of Interest: Notice of the SISP

20. As soon as reasonably practicable:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Qualified Bidders

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

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

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

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

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

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

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

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

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

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

Due Diligence

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

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

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

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

Credit Bidding

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

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

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

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

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

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

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

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

Insider Bid / Non-Arms Length Party Bidder

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

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

Submission of Binding Offers

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(n) the bid contemplates closing the transaction set out therein no later than the timeline set out in Section 19.

Assessment of Binding Bids

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

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

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

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

(c) the proposed transaction documents;

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

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

(f) any related restructuring costs; and

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

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

Selection of Successful Bid

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

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

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

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

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

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

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

Transaction Approval Application Hearing

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

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

Confidentiality and Access to Information

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

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

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

Deposits

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

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

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

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

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

Supervision of the SISP

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

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

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

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

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

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

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

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

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

Additional Terms

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

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

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

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

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

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

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

Contact

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

Further Orders

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

Doane Grant Thornton

Schedule "A"

To the Monitor:

Grant Thornton Limited, the Monitor

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

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

With a copy to:

Stewart McKelvey, legal counsel to the Monitor

Attention: Sara Scott
Email: sscott@stewartmckelvey.com

David Wedlake
Email: dwedlake@stewartmckelvey.com

To the Vendors:

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

With a copy to:

MLT Aikins LLP, legal counsel to the Vendors

Attention: Chris Nyberg
Email: cnyberg@mltaikins.com

Doane Grant Thornton

Schedule "B"

Auction

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Appendix C

Monitor’s Counsel Review of La Plata’s Security

STEWART MCKELVEY
LAWYERS • AVOCATS
Queen's Marque, 600-1741 Lower Water Street, P.O. Box 997
Halifax NS B3J 2X2 Canada tel: 902.420.3200 fax: 902.420.1417 stewartmckelvey.com

File Reference: SM043375.00009

July 4, 2025

Via Electronic Mail

Grant Thornton Limited
1000 – 1675 Grafton Street
Halifax, NS B3J 0E9

Attention: Liam Murphy, Senior Vice President

Dear Liam:

Re: Mernova Medical Inc. and Creso Canada Limited – Review of Security

At your request, we have performed a limited review of the security provided by Mernova Medical Inc. ("**Mernova**") and Creso Canada Limited ("**Creso**" and collectively with Mernova, the "**Companies**") to Briant Nominees PTY Ltd. ("**Briant**") and La Plata Capital LLC ("**La Plata**") to confirm the validity of such security interests. The results of our review are set out below.

This opinion is being delivered to you in connection with the proceedings commenced by the Companies under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") pursuant to an initial order of the Supreme Court of Nova Scotia in Bankruptcy and Insolvency issued on April 16, 2025 (the "**Initial Order**"), in your capacity as court-appointed monitor of the Companies.

I. Security Documents

Security and Documentation

In connection with our review, we have examined an executed copy of each of the following loan and security documents (collectively, the "**Loan Documents**"):

Briant Loan Documents[1]

1. an Australian law governed loan trust deed dated November 11, 2022 (the "**Briant Loan Agreement**"), between Creso Pharma Limited (now Melodiol Global Health Limited (("**MGHL**"))[2], as borrower, and Briant, as trustee for the lenders under the Briant Loan Agreement, in respect of a loan in an amount up to AUD $5,000,000;

2. a collateral mortgage in the principal amount of AUD $5,000,000 dated November 14, 2022 (the "**Briant Mortgage**") from Mernova in favour of Briant, as security agent, charging the real property located at 50 Ivey Lane, Windsor, NS (PID nos. 45018595 and

[1] The Briant loan documents include additional Australian law governed loan and security documents which we have not reviewed.

[2] We understand that Creso Pharma Limited, changed its name to Melodiol Global Health Limited.

45395514) (the "**Property**"). The Briant Mortgage secures all debts and liabilities, present or future, at any time owing from Mernova to Briant (on behalf of the lenders);

3. a general assignment of rents and leases from Mernova, dated November 14, 2022 (the "**Briant GARL**") in favour of Briant, charging all rents and leases relating to the Property;

4. a security agreement from Mernova dated November 14, 2022 (the "**Briant GSA**") in favour of Briant, charging all present and after-acquired personal property of Mernova. The Briant GSA secures all debts and liabilities, present or future, at any time owing from Mernova to Briant (on behalf of the lenders);

5. a guarantee and indemnity from Mernova dated November 14, 2022, in favour of Briant, in respect of the obligations of Creso Pharma Limited (now MGHL) to Briant (on behalf of the lenders), limited to AUD $ 5,000,000 plus costs, interests, and expenses;

La Plata Loan Documents

6. an Australian law governed converting loan deed dated September 4 between MGHL (previously Creso Pharma Limited), as borrower, and La Plata, as lender, which amended and restated certain prior loan deeds between the parties, in respect of a loans in the amount of US $2,682,500, as amended by a loan modification agreement dated November 4, 2023 between, among others, MGHL and La Plata (the "**La Plata Loan Agreement**");

7. a collateral mortgage in the principal amount of US $1,282,500 from Mernova dated January 17, 2023 (the "**La Plata Mortgage**") from Mernova in favour of La Plata, charging the Property. The Mortgage secures all debts and liabilities, present or future, at any time owing from Mernova to La Plata in connection with the La Plata Loan Agreement and related financing documents;

8. a mortgage amending agreement dated April 3, 2025 (the "**La Plata Mortgage Amendment**") from Mernova, amending the principal amount secured by the La Plata Mortgage USD $5,000,000;

9. a general assignment of rents and leases from Mernova, dated January 17, 2023 (the "**La Plata GARL**") in favour of La Plata, charging all rents and leases relating to the Property;

10. a security agreement from Mernova dated April 3, 2025 (the "**La Plata GSA**") in favour of La Plata, charging all present and after-acquired personal property of Mernova. The La Plata GSA secures all debts and liabilities, present or future, at any time owing from Mernova to La Plata;

11. a guarantee and indemnity dated effective as of January 17, 2023 and executed on April 3, 2025 from Mernova in favour of La Plata, in respect of the obligations of Creso Pharma Limited (now MGHL) to La Plata (the "**La Plata Guarantee**");

Assignment Agreements

12. assignment of debt and security agreements dated May 2025 (the "**Assignment Agreements**") between Briant, as security agent, the lenders under the Briant Loan Agreement, Mernova, and La Plata, whereby Briant and the lenders assigned to La Plata the Briant Loan Agreement, the indebtedness outstanding thereunder, and the guarantees and security documents (including, for greater certainty, the Briant Mortgage, Briant GARL, and Briant GSA).[3]

In this opinion letter, the Briant Mortgage, La Plata Mortgage (and La Plata Mortgage Amending Agreement), Briant GARL, La Plata GARL, Briant GSA, and La Plata GSA are sometimes collectively referred to as the "**Security Documents**".

Execution of Documents

The Security Documents, appear to have been executed by Micheline MacKay, as President of Mernova. As more particularly set forth below, we have assumed that each of the Security Documents has been duly authorized, executed and delivered by Mernova, and that each of the Security Documents is enforceable against it.

II. Assumptions

For the purposes of the opinions expressed herein, we have, without independent investigation or verification, assumed:

(a) the genuineness of all signatures on documents examined by us, the authenticity of all documents submitted to us as originals, the authenticity of all documents filed or registered in public offices, the legal capacity of all natural persons executing documents and the conformity to original documents of all documents submitted to us as certified, conformed or photostatic, or facsimile copies;

(b) that:

(i) Mernova is duly incorporated or otherwise duly formed and organized and is validly subsisting under the laws of its jurisdiction of incorporation or formation;

(ii) Mernova has the corporate power and capacity to own or lease property and assets, to carry on its business as presently conducted, and to execute, deliver and perform its obligations under the Loan Documents to which it is a party;

(iii) Mernova has taken all necessary corporate action to authorize the execution, delivery and performance by Mernova of each of the Loan Documents to which it is a party;

[3] Note there are seven separate Assignment Agreements.

(iv) Mernova has duly executed and delivered each of the Loan Documents to which it is a party; and

(v) the exercise by Mernova, of its rights and the performance of its obligations under each Loan Document is not contrary to its constating documents or its governing legislation;

(c) that each of the Loan Documents constitutes the legal, valid and binding obligation of the parties thereto (including Mernova), enforceable against each of them in accordance with its terms;

(d) that value has been given;

(e) that Mernova has rights in any personal property charged by Mernova in the Assigned GSA and La Plata GSA (the "**Collateral**");

(f) that neither Briant nor La Plata has agreed to postpone the time for attachment of any of the security interests created by the Security Documents (collectively, the "**Security Interests**" and individually, each a "**Security Interest**");

(g) the currency and accuracy of (i) any printed search result from the Personal Property Registry in the Province of Nova Scotia (the "**PPR**"), and (ii) the indices and records maintained at the other public offices where we have conducted searches or made inquiries or caused searches or inquiries to be made; and

(h) that the Loan Documents have not been amended, restated or replaced and there are no agreements or understandings between the parties thereto, whether written or oral, and there is no usage of trade or course of dealing between the parties that would, in either case, define, supplement, limit or qualify the terms of the Loan Documents.

In addition to the Loan Documents, we have also examined such statutes, public and corporate records and documents and considered such questions of law as we have deemed necessary for the opinions hereinafter expressed.

III. Laws Addressed

We are qualified to practice law in the Province of Nova Scotia and have made no investigation of the laws of any jurisdiction other than the laws of the Province of Nova Scotia and the federal laws of Canada applicable therein. The opinions hereinafter expressed are limited to the laws of the Province of Nova Scotia and the federal laws of Canada applicable therein in effect on the date hereof. Without limiting the generality of the immediately preceding sentence, we express no opinion with respect to the laws of any other jurisdiction to the extent that those laws may govern the validity, perfection, effect of perfection or non-perfection or enforcement of the Security Interests as a result of the application of conflict of laws rules of the Province of Nova Scotia including, without limitation, sections 6 to 9 of the *Personal Property Security Act* (Nova Scotia) (the "**PPSA**"). In addition, we express no opinion whether, pursuant to those conflict of laws rules, the laws of the Province of Nova Scotia would govern the validity, perfection, effect of perfection or non-perfection or enforcement of the Security Interests.

IV. Searches

We have conducted or caused to be conducted searches in the Province of Nova Scotia, as indicated below, current to the dates noted below, with respect to names or other search criteria listed below for registrations or filings of security:

Legislation / Public Office	Names Searched	Current to
Personal Property Security Act	Mernova Medicinal Inc. Creso Canada Limited	June 19, 2025
Bank Act (Canada)	Mernova Medicinal Inc. Creso Canada Limited	June 19, 2025
Judgment Roll (Halifax County & Hants County)	Mernova Medicinal Inc. Creso Canada Limited	June 23, 2025
Land Registration Act (Statement of Registered and Recorded Interests)	The Property	June 23, 2025
Property Taxes	The Property	June 23, 2025

Subject to the currency and accuracy of the registry and filing systems searched, our searches revealed the following against Mernova:

1. *Personal Property Security Act* – PPSA searches conducted in the PPR revealed the following results:

    (a) Registration no. 37104577 dated November 17, 2022, against Mernova in favour of La Plata in relation to all of its present and after acquired personal property.[4]

    (b) Registration no. 39791611 dated June 27, 2024 against Mernova in favour of Bruce Leasing Limited in relation to a motor vehicle (2024 Mazada CX-30, S/N number 3MVDMBCM4RM688724);

    (c) Registration no. 41148180 dated April 4, 2025 against Mernova in favour of La Plata in relation to all of its present and after acquired personal property;[5] and

    (d) There were no PPSA registrations against Creso.

[4] This registration was originally registered in favour of Briant, and La Plata replaced Briant as secured creditor pursuant to an amendment registered on June 11, 2025.

[5] This registration states that it was a re-registration of registration number 37338035 which expired on January 18, 2025

2. *Bank Act* (Canada) – Searches were conducted for notices of intention to give security under Section 427 of the *Bank Act* registered in the Province of Nova Scotia. No results were returned.

3. *Judgment Roll* (Halifax County and Hants County) – Searches were conducted of the records maintained by the Land Registration Office in the Property Online database pursuant to the *Land Registration Act* (Nova Scotia) (the "**LRA**") for documents registered in the judgment roll in Halifax County and Hants County. The searches revealed no results.

4. *Land Registration Act* (Statement of Registered and Recorded Interests) – We have obtained a statement of registered and recorded interests for the Property dated June 23, 2025 (the "**SRRI**"). The SRRI disclosed the following:

   (a) Mernova is the registered owner of the Property.

   (b) The Briant Mortgage and Briant GARL were each recorded against title to the Property on November 17, 2022, as document nos. 121642848 and 121642855, respectively.

   (c) The La Plata Mortgage and La Plata GARL were each recorded against title to the Property on January 18, 2023, as document nos. 121927090 and 121927116, respectively.

   (d) The La Plata Mortgage Amendment was recorded against title to the Property on April 3, 2025, as document no. 125644303.

   (e) A right of first refusal agreement dated May 22, 2014 was recorded on May 29, 2014 as document no. 105136312 (the "**ROFR**"). The ROFR was granted by Nova Scotia Business Incorporated, being the prior owner of the Property, in favour of Mernova, and expired on May 20, 2019.

   (f) Creso does not own real property in Nova Scotia.

5. Property Taxes – We have obtained tax certificates from the Hants Municipality which are current to June 23, 2025, which indicate that taxes in the amount of $63,189.50 are due and owing for Ivey Lane, Lot 31, roll number 03182846 (PID 45018595), and there is a credit balance in the amount of $7,500.00 for Ivey Lane, Lot 28A, roll number 10579511 (PID 45395514).

V. Opinions

Based and relying upon and subject to the foregoing, and the qualifications and limitations set forth below, we are of the opinion that:

Personal Property Security

1. The Briant GSA creates a valid security interest in favour of La Plata (as assignee pursuant to the Assignment Agreements) in the Collateral described therein in which Mernova now has rights, and is sufficient to create a valid security interest in favour of La Plata in any

such Collateral in which Mernova acquires rights when those rights are acquired by Mernova, in each case to secure payment and performance of the obligations of Mernova described in the Briant GSA as being secured thereunder.

2. Subject to our comments below concerning the La Plata security, the La Plata GSA creates a valid security interest in favour of La Plata in the Collateral described therein in which Mernova now has rights, and is sufficient to create a valid security interest in favour of La Plata in any such Collateral in which Mernova acquires rights when those rights are acquired by Mernova, in each case to secure payment and performance of the obligations of Mernova described in the La Plata GSA as being secured thereunder.

3. As noted above, there are PPSA registrations against Mernova in favour of La Plata in relation to all present and after-acquired personal property of Mernova. By virtue of such registrations, the Security Interests in favour of La Plata created by the Briant GSA and, subject to our comments below concerning the La Plata security, the La Plata GSA in the Collateral described in such registrations, to the extent capable of perfection by registrations of financing statements under the PPSA, have been perfected.

<u>Real Property Security</u>

4. Based on the SRRI:

   (a) the Briant Mortgage and Braint GARL constitute a valid mortgage and charge against the Property, as security for the obligations of Mernova to La Plata (as assignee pursuant to the Assignment Agreement) described therein; and

   (b) subject to our comments below concerning the La Plata security, the La Plata Mortgage (as amended by the La Plata Mortgage Amendment) and La Plata GARL constitute a valid mortgage and charge against the Property, as security for the obligations of Mernova to La Plata described therein.

5. Based on the SRRI, the recorded security interests and liens charging the Property rank in the following priority:[6]

   (a) first, the Briant Mortgage and Briant GARL[7]; and

   (b) subject to our comments below concerning the La Plata security, second, the La Plata Mortgage and La Plata GARL.

---

[6] For greater certainty, the priority of the recorded security interests and mortgages charging the property is subject to all applicable qualifications set out herein, including with respect to unregistered statutory liens or deemed trusts which would rank prior to the security interests and mortgages.

[7] We note that the Briant Mortgage and GARL remain registered in the name of Briant (i.e. notice of its assignment to La Plata has not been registered against title to the Property).

La Plata Security - Potential Preference Claims

We note that the La Plata Guarantee, La Plata GSA, and La Plata Mortgage Amendment are each dated April 3, 2025, being shortly before the Companies made an application for protection under the CCAA (on April 9, 2025) and the Initial Order was granted (on April 16, 2025). Given this timing, this raises that prospect that these agreements (and the obligations and security interests created thereby) resulted in a preferential transaction in favour of La Plata, contrary to the *Bankruptcy and Insolvency Act* (the "**BIA**") and other creditor laws.

As you know, under the BIA preferential transactions may include a charge on property made or an obligation incurred by an insolvent person to a creditor which gives that creditor a preference over other creditors. Section 95 of the BIA provides that preferences are void as against the trustee in bankruptcy.[8] In order for a transaction to be considered a preference, the debtor must first be an insolvent person under the BIA, and the preferential transaction must have occurred three months before the initial bankruptcy event, if it was in favour of an arm's length creditor and was made with a view to giving that creditor a preference over another creditor.[9] Section 95(2) of the BIA provides for a rebuttable presumption that, if a transaction has the effect of giving the creditor a preference, such transaction was made with a view to giving the creditor the preference.

Similarly, Section 4 of *Assignments and Preferences Act (Nova Scotia)* (the "**APA**") provides that a transfer of property by an insolvent person, with an intent to defeat or delay creditors, or to a creditor with an intent to give such creditor an unjust preference of other creditors, shall be void.[10]

Whether the issuing of La Plata Guarantee, La Plata GSA, and La Plata Mortgage Amendment by Mernova shortly before its commencement of proceedings under the CCAA constitutes a preferential transaction, contrary to the BIA or APA, is dependent on the facts and circumstances concerning their issuance, including whether there was intent to prefer La Plata and any value received by Mernova for the issuance of the documents, and the evidence available to support any claims as to Mernova's intention.

We understand that (i) the La Plata Guarantee, La Plata GSA, and La Plata Mortgage Amendment were contemplated by the parties at the time of the La Plata Loan Agreement, however, were either not provided at the closing of the La Plata Loan Agreement due to inadvertence, or were provided at closing but subsequently lost, and (ii) in discussions with Mernova concerning a potential CCAA application, La Plata became aware that it did not have copies of such documents and therefore requested that they be re-issued by Mernova and delivered to La Plata. We have not been provided with any documentation to support the foregoing statements; however we do note that the La Plata Loan Agreement contemplated that the loan would secured by the 'Security' charging the 'Collateral', which are defined as follows:

- *Security means a general security and property mortgage granted over the land and buildings of Mernova's Cannabis Cultivation Facility located in Nova Scotia, Canada (but for clarity, Security will be subordinate to any Convertible Notes issued up to a maximum*

[8] The text of Section 95 of the BIA is set out in Appendix I hereto.

[9] The date of the initial bankruptcy event includes the commencement of proceedings under the CCAA (BIA, s. 2).

[10] The text of Section 4 of the APA is set out in Appendix I hereto.

amount of AUD$5 million relating to the Trustee Obligation and will be second highest ranking a) Security of the Borrower, and b) Encumbrance against the personal property of Mernova and the land and Facility described in this paragraph, subject only to the mortgage granted to the Trustee for the benefit of the Lenders under the Loan Trust Deed dated November 11, 2022 between Borrower and Trustee).

- *Collateral means the present and after acquired Property of Mernova including Mernova's personal property and the real property and improvements in respect of which the Security has been granted.*

Accordingly, it appears that security over the real and personal property of Mernova was contemplated at the time of the La Plata Loan Agreement.[11]

As no creditor has made a claim in the CCAA proceedings that the La Plata documents constitute a preferential transaction, we have not undertaken complete examination of a potential preference claim and the evidence to support or rebut such a claim and take no position on the matter at this time.

VI. Qualifications

In addition to any other qualifications, limitations and restrictions set forth in this opinion letter, our opinions herein are subject to the following qualifications, limitations and restrictions:

1. This opinion letter is limited to the facts stated herein. If the facts change or additional facts arise, the opinion(s) set forth herein may change.

2. For greater certainty, we provide no opinion as to the enforceability of the Briant Loan Agreement or La Plata Loan Agreement, which are governed by the laws of Australia. We have assumed that the indebtedness and obligations owing thereunder are valid and remain outstanding.

3. The enforcement of the Security Documents and Security Interests is subject to applicable laws relating to bankruptcy, moratorium, reorganization, insolvency and other similar laws of general application affecting the enforcement of creditors' rights generally, including the power of a court to stay proceedings in the enforcement of remedies and to impose limitations on the rights of creditors to require immediate payment of amounts stated to be payable on demand prior to the expiration of a reasonable period of time after such demand is made.

4. The discretion exercisable by courts of competent jurisdiction in respect of the availability of equitable remedies and, more generally, the enforcement of the Security Documents and Security Interests is subject to general principles of equity, whether applied by a court of law or equity, which include principles:

[11] It is also possible that the security requirements were waived, but we have been provided with no such statements or evidence to this effect.

(a) governing the availability of specific performance, injunctive relief, the power to grant relief from forfeiture, to stay proceedings before it, to stay execution of judgments or other traditional equitable remedies, which generally place the award of such remedies, subject to certain guidelines, in the discretion of the court to which the application for such relief is made;

(b) limiting or affecting the enforceability of provisions governing judicial discretion regarding the determination of damages and entitlement to legal fees and other costs; and

(c) limiting the right to require immediate payment of amounts which are stated to be payable on demand.

5. If any of the provisions of the Loan Documents are held to be illegal, invalid or unenforceable, the severance of such provisions from the remaining provisions thereof will be subject to the exercise of the discretion of the Court.

6. The Security Interests may not be enforceable in respect of proceeds which are not identifiable or traceable.

7. We have taken no steps to provide the notices or to obtain the acknowledgements prescribed in the *Financial Administration Act* (Canada) relating to the assignment of federal Crown debts. An assignment of Crown debts which does not comply with such Act is ineffective as between the assignor and the assignee and as against the Crown. Consequently, a secured party would not have a valid security interest in Crown debts unless there is compliance with such Act.

8. No searches have been made with respect to any the Security Documents under, and no opinion is given with respect to the creation of a security interest pursuant to, the Canada *Shipping Act* (Canada), the *Copyright Act* (Canada), the *Industrial Design Act* (Canada), the *Integrated Circuit Topography Act* (Canada), the *Patent Act* (Canada), the *Plant Breeders' Rights Act* (Canada), the *Canada Transportation Act* (Canada) and the *Trademarks Act* (Canada) or the consequences of compliance or non-compliance with such statutes.

9. No searches have been made with respect to the Security Interests insofar as such security interests relate to any of the following collateral:

(a) any crops or mineral claims; or

(b) any permits, quotas, licences or other similar property which is not personal property.

10. We express no opinion as to the validity or perfection of the Security Interests in respect of any contractual rights, which by their terms or by the nature of the contract, or any permits, quotas, licenses or other similar property, which by its terms, its nature or by the nature of the business of Mernova cannot be the subject of a lien or other interest without the consent, authorization or approval of a third person.

11. We have not made any inquiries or any investigations with regard to any consents or approvals which may be required in connection with the transfer of any contractual interests made subject to a Security Interest.

12. If the Collateral now or hereafter includes any motor vehicle, trailer, mobile home, aircraft, boat or an outboard motor for a boat situate in the Province of Nova Scotia within the meaning of those terms under the general regulations made under the PPSA which is not held by Mernova as inventory (as such term is defined in the PPSA), the security interests in such Collateral or their proceeds must be registered against the applicable serial number description in order to maintain the perfection of such security interests in such Collateral as against certain persons who may have an interest in such Collateral.

13. If the Collateral now or hereafter includes an interest or claim in or under a contract of annuity or policy of insurance, no opinion is expressed herein as to the creation, validity or perfection of the security interest created therein other than in respect of the transfer of a right to money or other value payable under a policy of insurance as indemnity or compensation for loss of, or damage to, Collateral.

14. No opinion is expressed herein as to:

    (a) the title of Mernova to, or ownership of, the Collateral; or

    (b) except as expressly set out herein with respect to the Property, the priority of any security interest.

15. We express no opinion as to whether a security interest may be created in any Collateral consisting of a receivable (other than a receivable subject to section 42(10) of the PPSA), licence, approval, privilege, franchise, permit, lease or agreement (collectively, "**Special Property**") to the extent that the terms of the Special Property or any applicable law prohibit its assignment or require a consent, approval or other authorization or registration which has not been made or given.

16. With respect to the Property, we express no opinion as to any:

    (a) unregistered services agreements, subdivision agreements, site plan control agreements, development or similar agreements;

    (b) unregistered easements, rights-of-ways, rights in the nature of easements and agreements with respect thereto;

    (c) the actual boundaries of the Property or any encroachments affecting the Property;

    (d) current or past compliance or non-compliance of Mernova or any predecessors with applicable provincial or federal environmental protection or rehabilitation legislation nor do we express any opinion with respect to the environmental status of the Property;

    (e) whether the Property, or any buildings or improvements constructed thereon, comply with any applicable enactments governing location and use, including, without limitation, zoning, land use and building restrictions, bylaws, regulations and ordinances of any governmental authority having jurisdiction;

(f) whether any native or aboriginal land claims now or hereafter affect the Property; or

(g) subsisting restrictions, exceptions, reservations, limitations, provisos and conditions (including, without limitation, royalties, reservation of mines, mineral rights and timber rights, access to navigable waters and similar rights) expressed in any original grants from the Crown, as the same may be varied by statute and any statutory limitations, exceptions, reservations and qualifications.

17. Title to the Property is subject to any rights which may have been acquired by prescription or by adverse possession in respect of the Property and we have not inquired concerning and consequently express no opinion as to any rights which may have been acquired by prescription or by adverse possession in respect of the Property.

18. Title to the Property is subject to the overriding interests set out in Sections 73, 74, 75 and 76 of the *Land Registration Act* (Nova Scotia) and being:

(a) interests of His Majesty in right of the Province of Nova Scotia being reserved in or excepted from the original grant of the fee simple absolute from His Majesty, or that has been vested in His Majesty pursuant to an enactment;

(b) liens in favour of a municipality or His Majesty in right of the Province of Nova Scotia pursuant to an enactment, such as liens for assessments pursuant to the Workers' Compensation Act (Nova Scotia);

(c) a leasehold interest for a term of three years or less if there is actual possession under the lease;

(d) a "utility interest", being an easement or other right in or to use land (including a fee simple interest), in existence before the coming into force of the Act, in favour of a public utility or a municipality;

(e) an easement or right of way that is being used and enjoyed; and

(f) rights granted by or pursuant to an enactment of Canada or of the Province of Nova Scotia to enter, cross or do things on land for the purpose expressed in the enactment; to recover municipal taxes, duties, rates, assessments; or to control, regulate or restrict the use of land or subdivision of land.

19. Except as and against the person making the instrument, no instrument, until registered or recorded pursuant to the *Land Registration Act* (Nova Scotia), passes any estate or interest in a registered parcel.

20. In addition to the other qualifications set out herein, the priority of the mortgages and charges created by the Security Documents against the Property is subject to:

(a) those registered or recorded instruments registered in priority as disclosed on the SRRI; and

(b) any encroachments not registered at the applicable Land Registration Office in accordance with the applicable laws of the Province of Nova Scotia.

21. There may be unregistered statutory liens or deemed trusts, which would rank prior to the security interests, mortgages, charges and assignments contained in the Security Documents. We have not conducted searches or made inquiries in respect of any statutory liens or deemed trusts which may arise against the Collateral or Property pursuant to the laws of the Province of Nova Scotia and the federal laws of Canada applicable therein (other than in respect of real property taxes, the arrears of which form a priority lien against the Property).

For greater certainty, a specific assumption, limitation or qualification in this opinion is not to be interpreted to restrict the generality of an assumption, limitation or qualification expressed in general terms that includes the subject matter of the specific assumption, limitation or qualification.

VII. Reliance

The opinions expressed in this opinion letter are provided solely for the benefit of the addressees hereof for the purposes of the transactions contemplated by this opinion letter in connection with the Loan Documents. Accordingly, this opinion letter may not be relied upon by or disclosed to anyone else or used for any other purpose, nor may it be quoted in whole or in part or otherwise referred to, without our prior written consent.

Yours truly,

Stewart McKelvey

Stewart McKelvey

RDW/wmi

Enclosures

APPENDIX I
Statutory Provisions

Bankruptcy and Insolvency Act s. 95

95 (1) A transfer of property made, a provision of services made, a charge on property made, a payment made, an obligation incurred or a judicial proceeding taken or suffered by an insolvent person

(a) in favour of a creditor who is dealing at arm's length with the insolvent person, or a person in trust for that creditor, with a view to giving that creditor a preference over another creditor is void as against—or, in Quebec, may not be set up against—the trustee if it is made, incurred, taken or suffered, as the case may be, during the period beginning on the day that is three months before the date of the initial bankruptcy event and ending on the date of the bankruptcy; and

(b) in favour of a creditor who is not dealing at arm's length with the insolvent person, or a person in trust for that creditor, that has the effect of giving that creditor a preference over another creditor is void as against—or, in Quebec, may not be set up against—the trustee if it is made, incurred, taken or suffered, as the case may be, during the period beginning on the day that is 12 months before the date of the initial bankruptcy event and ending on the date of the bankruptcy.

(2) If the transfer, charge, payment, obligation or judicial proceeding referred to in paragraph (1)(a) has the effect of giving the creditor a preference, it is, in the absence of evidence to the contrary, presumed to have been made, incurred, taken or suffered with a view to giving the creditor the preference — even if it was made, incurred, taken or suffered, as the case may be, under pressure — and evidence of pressure is not admissible to support the transaction.

Assignments and Preferences Act s. 4

4(1) Every transfer of property made by an insolvent person

(a) with intent to defeat, hinder, delay or prejudice his creditors, or any one or more of them; or

(b) to or for a creditor with intent to give such creditor an unjust preference over other creditors of such insolvent person, or over any one or more of such creditors,

shall be as against the creditor or creditors injured, delayed, prejudices or postponed, be utterly void.

Appendix D

Letter from CRA for HST Audit dated May 1, 2025

Canada Revenue Agency | Agence du revenu du Canada

PROTECTED B - PROTÉGÉ B

May 1, 2025

Attn: Micheline Mackay
Mernova Medicinal Inc.
P.O. Box 100
Windsor NS B0N 2T0

Dear Micheline Mackay:

Subject: Records required to begin the audit of the goods and services tax/harmonized sales tax (GST/HST) return for the period from 2025-04-01 to 2025-04-16
Business number: 81875 0036 RT0001

We are writing to inform you that we will audit the GST/HST return of Mernova Medicinal Inc. for the above noted period due to a filing made under the Companies' Creditors Arrangement Act (CCAA) on April 16, 2025. Our attempts to reach you by telephone were unsuccessful. The GST/HST return for the above period has not yet been filed. Please file the return as soon as possible.

To make sure that we can work as efficiently as possible, please provide the following information to us:

- A detailed description of the commercial activity, including a summary of the types of taxable and non-taxable revenues generated.
- A detailed listing of the net sales and the GST/HST collected and collectible on those sales for the audit period including the invoice date, customer name, and net sale amount. If the total of the listings differs from the amounts reported on the return, please provide an explanation for the variances.
- A breakdown of the business activities by percentage of sales for the above noted period according to the following categories:
    - Taxable sales at 5%, 13%, or 15%
    - Taxable sales at 0%
    - Exempt sales
- A detailed listing of the Input Tax Credits (ITCs) being claimed for the audit period, including the invoice date, supplier name, description of goods or services purchased and the amount of GST/HST paid or payable. If the total of your listing differs from the amount claimed on the return, please provide an explanation for the variances.
- Agreements, invoices, and contracts for all capital acquisitions and dispositions.
- A listing of all accounts payable up to and including the date of the CCAA filing. On this listing please indicate if there are amounts where an ITC would <u>**not**</u> have been claimed on the amounts payable to the supplier.

Canada

R350 E (08)

- A listing of all accounts payable that have been paid after the date of the CCAA filing.
- A listing of all accounts payable that you expect will be paid and the source of funds for those payments.
- A listing of any inventory, equipment or other assets still owned by the company as of the date of the CCAA filing.

Please note that additional information may be requested at a later date. To assist in the completion of the audit in a timely manner, please forward the information specified above on or before **June 2, 2025**. If the information is not received by the date noted above, your returns will be adjusted based on the information available to us.

You have the option of sending your accounting data through the Submit documents service which is located in My Business Account. Submit documents is a secure online service that allows registrants to electronically send their accounting information to the CRA. Please note that you will need to enter the following case number **89968861** before you can successfully send the documents. For additional information, please go to **canada.ca/cra-submit-documents-online**.

Alternatively, you can fax or mail the documents to the number or the address indicated at the end of this letter. **All documents should be directed to my attention and marked "Personal and Confidential"**.

Under subsection 286(1) of the Excise Tax Act, every person who carries on business or is engaged in a commercial activity in Canada, and every person who is required to file a return or apply for a rebate or a refund, is required to keep records that will allow the Canada Revenue Agency (CRA) to confirm a person's liabilities and obligations under this Act. For an audit you must make available all of your relevant records and supporting documents, both paper and electronic, to the auditor.

Under subsection 288(1) of the Act, officers of the CRA are authorized to inspect, audit, and examine your records. During the audit, the CRA will closely examine your books and records to confirm whether you are fulfilling your tax obligations, applying tax laws correctly, and receiving any refunds to which you are entitled.

Keeping books and records which are adequate to calculate your tax obligations and your entitlements, and co-operating with the auditor will reduce the time it takes to complete the audit. When requested records are not made available, or are hard to find, delays can result. Providing all of the requested information as early as possible in the audit process will help make sure that your audit results are accurate and complete.

Under section 284 of the Act, every person who fails to provide information or documents when and as required is subject to a penalty of $100 for every failure.

If you wish to use the services of a representative during the audit, you will need to provide authorization. If you have a CRA user ID and password and would like to authorize a representative to access your account, you can log into My Business Account and use the Authorize representative(s) service. Alternatively, you can send us form AUT-01, Authorize a Representative for Access by Phone and Mail. To get this form, go to **canada.ca/cra-forms**, click on View and download forms and type **AUT-01** in the Filter items box.

To assist you in preparing for the audit, we encourage you to read RC4188, What You Should Know About Audits. You can find this pamphlet by going to **canada.ca/cra-forms-publications** and typing **RC4188** in the search box.

To help you understand your rights as a taxpayer, we also recommend that you read Guide RC17, Taxpayer Bill of Rights. This guide can be found at **canada.ca/taxpayer-rights**.

If you have any questions or concerns, please contact me at **306-491-3062**. My team leader, Liz Soonias, may also be reached at 306-203-2869.

Sincerely,

Brent Harris
Eastern Prairie TSO
GST/HST Audit Division

Telephone:	306-491-3062
Facsimile:	418-566-4827
Address:	340-3rd Avenue North Saskatoon SK S7K 0A8
Website:	**canada.ca/taxes**

Appendix E

CRA’s Response and Statement of Adjustments for HST Audit

Canada Revenue Agency | Agence du revenu du Canada

June 16, 2025

Attn: Joshua Carree
Mernova Medicinal Inc.
P.O. Box 100
Windsor NS B0N 2T0

Dear Joshua Carree:

Subject: Proposed changes to the goods and services tax/harmonized sales tax (GST/HST) return for the period from 2025-04-01 to 2025-04-16
Business number: 81875 0036 RT0001

As a result of our audit, we are proposing the following changes to the GST/HST return for the above period:

Period ending	Net tax as filed	Proposed changes to net tax payable	Revised net tax
2025-04-16	$4,671.61	$43,916.27	$48,587.88

Every recipient of a taxable supply made in Canada is required to pay the GST/HST payable in respect of the supply as per section 165 of the Excise Tax Act, Mernova Medicinal Inc. has filed for protection under the Companies' Creditors Arrangement Act on April 16, 2025, and has not paid all of the GST/HST outstanding to their suppliers as per the outstanding liabilities filed. Under paragraph 296(1)(b) of the Act, we are proposing to assess the GST/HST payable on taxable supplies received as GST/HST has not been paid to the supplier. The amount proposed is $43,916.27. We have enclosed a proposed summary of audit adjustments to support the changes.

This assessment is based on the most current creditor's list available. If the creditor listing is not current or you have paid off some of your creditors please provide an updated list along with proof to show that a payment has been made to resolve or lower the debt. **Also, please identify which creditors have not supplied taxable supplies and are considered to be exempt.**

We encourage you to ensure that all of your ITCs have been properly claimed on your returns. If you have not claimed the Input Tax Credit (ITC) for any period prior to the insolvency event you are eligible to claim that ITC prior to the insolvency event as long as it fits all other requirements. **Please note that there are different filing procedures for pre and post audit, as a result, ITCs should be claimed in the proper period**.

If we do not hear from you before **July 16, 2025**, we will finalize the audit based on the changes proposed. You will then receive a notice of (re)assessment that reflects these changes, and you will be responsible for paying the additional net GST/HST payable and interest as calculated.

If you have more information about the proposed changes that you would like us to consider, including any new or previously requested information that would support your position, or if you have any questions or concerns, please contact me at **306-491-3062**. My team leader, Liz Soonias, may also be reached at 306-203-2869.

Sincerely,

Brent Harris
Eastern Prairie TSO
GST/HST Audit Division

Telephone: 306-491-3062
Facsimile: 418-566-4827
Address: 340-3rd Avenue North
Saskatoon SK S7K 0A8
Website: canada.ca/taxes

Enclosure

I agree to the proposed changes and waive the 30 day proposal period.

____
(Signature of Authorized Officer)

Effective Date
June 16, 2025

Account Number
81875 0036 RT0001

Reference Number
89968861

Period Covered
2025-04-01 to 2025-04-16

MERNOVA MEDICINAL INC.
P.O. BOX 100
WINDSOR NS B0N 2T0

Dear Joshua Carree

Please see the attached proposal letter and statement of adjustments.

Yours sincerely

Brent Harris
GST/HST Examiner
Eastern Prairie TSO - Saskatoon
340-3rd Avenue North
Saskatoon SK S7K 0A8
Phone number 306-491-3062
Facsimile 833-545-2885

Statement of Proposed Audit Adjustments

Mernova Medicinal Inc.

Business Number: 81875 0036 RT0001

Audit for the Period: 2025-04-01 to 2025-04-16

Sales and other revenue		
As filed	$ 427,485.44	
Adjustments	0.00	
Revised sales and other revenue (line 101)	$ 427,485.44	
Goods and services tax/ harmonized sales tax (GST/HST)		
As filed	$ 41,348.85	
Adjustments - see Note 1	43,916.27	
Revised GST/HST collected (line 105)		$ 85,265.12
Input tax credits (ITCs)		
As filed	$ 36,677.24	
Adjustments	0.00	
Revised ITCs (line 108)		36,677.24
Revised net tax owing (refund)		**$ 48,587.88**

Note:

1. We are proposing to adjust your GST/HST return under subsection 296(1)(b) of the Excise Tax Act. GST/HST Policy Statement P-112R, Assessment of Tax Payable Where a Purchaser is Insolvent, states that section 296 of the Act allows the Minister to assess any tax payable by a person under Division II. The Minister may exercise its authority under paragraph 296(1)(b) of the Act and assess a purchaser who is insolvent with respect to the GST/HST not paid to the supplier. For example, an assessment of tax payable may be made where a purchaser has claimed an ITC in respect of a taxable purchase, for which payment to the supplier remains outstanding, and the supplier is entitled to a bad debt deduction in calculating its net tax.

It was noted in the claims register payables that there were some creditors where GST/HST was not applicable and would not have been paid. We have calculated the amount of GST/HST not paid for the remaining accounts payable, and as a result, propose to make the following adjustment:

Supplier name	Creditor amount
Atlantica Mechanical Contractors Inc.	$ 3,262.00
Cox and Palmer	742.00
Canada Emergency Benefit Loan	37,830.00
Culture des Sommets	65,957.00
Digital n Genuity	2,494.00
EFRenviromental	3,065.00
EPAC	9,116.35
Eastlink	1,039.00
Health Canada	24,911.00
Koppert Canada Limited	579.00
Linde Canada Inc.	4,427.00
Mary Jane Cones	39,317.00
Momentum Freight Inc.	3,355.00
MNP	25,269.63
Napa Auto Parts	109.00
Noble House Consulting Ltd.	5,650.00
Pathogenia	1,701.00
Purolator	1,365.00
Receiver General- Excise	1,506,615.00
Receiver General- GST	342,375.00
Shred-It	185.00
SuperPass	153.00
Uline Canada Corporation	4,301.65
West Hants Regional Municipality	60,906.00
Total claims where GST/HST was not applicable	**$ 2,144,724.63**

Total unsecured creditors	$ 2,481,416.00
Total claims where GST/HST was not applicable	2,144,724.63
Total taxable claims	**$ 336,691.37**

Total taxable claims	$ 336,691.37
GST/HST factor	15/115
Total proposed adjustment to GST/HST	**$ 43,916.27**

This assessment is based on the most current creditor's list available. If the creditor listing is not current or you have paid off some of your creditors please provide an updated list along with proof to show that a payment has been made to resolve or lower the debt. **Also, please identify which creditors have not supplied taxable supplies and are considered to be exempt and we may be able to reduce the overall assessment by the amount where GST/HST was not charged by specific creditors.**

Proposed adjustment summary

GST/HST	$	43,916.27
ITCs		0.00
Total proposed adjustments	**$**	**43,916.27**

Appendix F

SISP Advertisement – allNovaScotia, allNewBrunswick and allNewfoundland

PO Box 2621 Halifax NS B3J 3P7 Phone: 902-431-9540 or 1-877-431-9540

Advertising Performance Report
Date: June 3 2025
Company: Grant Thornton Limited
Campaign: Mernova

Desktop Site Statistics:

allNovaScotia Impressions from 2025-05-12 to 2025-05-26	
Total Users[1]	13225
Total Sessions[2]	16687
Total Page Views[3]	138271

allNewfoundLand Impressions from 2025-05-14 to 2025-05-23	
Total Users[1]	2544
Total Sessions[2]	3047
Total Page Views[3]	3035

allNewBrunswick Impressions from 2025-05-13 to 2025-05-22	
Total Users[1]	1172
Total Sessions[2]	1360
Total Page Views[3]	7089

Mobile App Statistics:

Mobile App Impressions from 2025-05-12 to 2025-05-23	
Total Users[1]	74500
Total Sessions[2]	92962
Total Page Views[3]	447453

Grand Total:

Total Impressions from 2025-05-12 to 2025-05-23	
Total Users[1]	91441
Total Sessions[2]	114056
Total Page Views[3]	595848

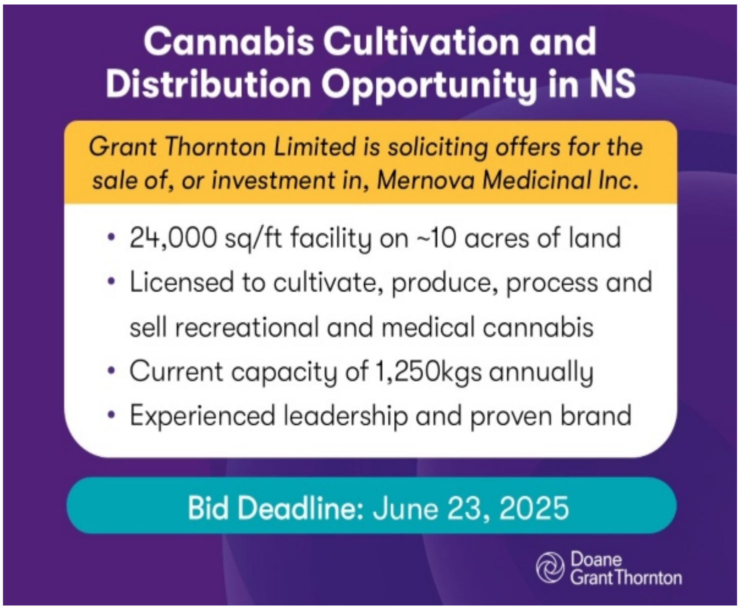
[1]**Total Users:** The sum of the total paying users across all of your booked days.
[2]**Total Sessions:** The sum of the total sessions across all of your booked days.
[3]**Total Page Views:** The sum of the total page views across all of your booked days.

For your recent ads that ran between 2025-05-12 and 2025-05-26 we are happy to report the following average statistics.

The following ads appeared for 12 seconds at least once every four minutes on the desktop site and the mobile app on the days they ran.

The ad was served to allNovaScotia's 13,500 paying subscribers.
The ad was served to allNewBrunswick's over 1,500 paying subscribers.
The ad was served to allNewfoundlandLabrador's 3,500 paying subscribers.

Images:


Cannabis Cultivation and Distribution Opportunity in NS
Grant Thornton Limited is soliciting offers for the sale of, or investment in, Mernova Medicinal Inc.
• 24,000 sq/ft facility on ~10 acres of land
• Licensed to cultivate, produce, process and sell recreational and medical cannabis
• Current capacity of 1,250kgs annually
• Experienced leadership and proven brand
Bid Deadline: June 23, 2025
Doane Grant Thornton

Appendix G

SISP Advertisement - StratCann

Cannabis Cultivation and Distribution Opportunity in NS

Grant Thornton Limited is soliciting offers for the sale of, or investment in, Mernova Medicinal Inc.

- 24,000 sq/ft facility on ~10 acres of land
- Licensed to cultivate, produce, process and sell recreational and medical cannabis
- Current capacity of 1,250kgs annually
- Experienced leadership and proven brand

Bid Deadline: June 23, 2025

Doane Grant Thornton

Appendix H

SISP Solicitation Letter

Premium NS Craft Cannabis Producer with Growing National Footprint

May 9, 2025

Opportunity overview

*Grant Thornton Limited, in its capacity as Court-appointed Monitor ("**Monitor**") of Mernova Medicinal Inc. and Creso Canada Limited ("**Mernova**" or the "**Company**") is soliciting offers for the sale of, or investment in, the Company's cannabis cultivation operations pursuant to the April 25, 2025 order ("**SISP Order**") of the Supreme Court of Nova Scotia ("**Court**"). The Sales and Investment Solicitation Process ("**SISP**") outlines the procedures by which the Monitor will seek offers in respect of the Company on an "as is, where is" basis, free and clear of any claims, debts or encumbrances.*

Interested parties are encouraged to contact the Monitor for additional information and to arrange a site visit. Detailed bidding procedures, the SISP Order and a confidentiality agreement to participate in the SISP are available upon request and on the Monitor's website: DoaneGrantThornton.ca/Mernova

Key features

The Opportunity

Mernova is a craft cannabis producer that cultivates a variety of premium products at its indoor growing and processing facility in Windsor, NS. The ~24,000 sq/ft facility on 10 acres of land has current annual capacity of 1,250 kg across six growing rooms, all of which are fully utilized with additional rooms available for expansion. Mernova is a growing private company with an efficient cost profile, increasing product yields and market penetration across 11 of Canada's provinces and territories. With a dedicated compliment of trained staff, experienced management, profitable SKU's across a wide range of Ritual branded cannabis products and loyal customers, Mernova presents a turn-key opportunity to invest in a rising cannabis player with Atlantic Canadian roots.

Highlights

Assets	Description
Facility	24,000 sq/ft GPP compliant facility on ~10 acres of land in Windsor, NS, with current capacity of 1,250 kgs annually
Licenses	License from Health Canada to cultivate, produce, process and sell recreational and medical cannabis products; non-therapeutic research license from Health Canada; Excise License from CRA to sell cannabis
Team	Lean staffing profile, experienced leadership, a distinguished grower and dedicated quality assurance
Brand	Ritual Green craft cannabis flower and pre-rolled products, distillate vapes, hash, edibles, live rosin vapes and dabbers and recently launched value branded 902 Rotations
Growth	Consistent revenue growth profile, with deep penetration in NS, national expansion and international opportunity

Sales process milestones

Sales process timeline

- **Launch Date**: May 9, 2025
- **Bid Deadline**: June 23, 2025
- **Selection of Successful Bid(s)**: July 3, 2025
- **Sale Approval Hearing**: July 14, 2025
- **Target Closing**: Within 2 weeks of Court approval.

Bidding procedures

Key features of the process include:

- Any transaction derived from the SISP will be on an **"as is, where is"** basis and require Court approval, sold free and clear of claims & encumbrances.
- Template bidding documents outlining the form of transaction, which is expected to be via reverse vesting order ("**RVO**"), are available on the VDR.
- Qualified Bids require a **deposit of 10%** of the Bid Price, delivered to the Monitor at/prior to Bid Deadline.
- Further SISP details are available: *DoaneGrantThornton.ca/Mernova*

Next steps

Additional information including proforma financial projections and detailed asset information is available from the Monitor. Please contact Corey Hines at Corey.Hines@Doane.gt.ca for access to the Virtual Data Room ("**VDR**") or to arrange a site visit. **All enquiries must be directed to the Monitor- Grant Thornton Limited.**

Corey Hines
CPA, CIRP, LIT
Manager
T +1 902 491 7704
E Corey.Hines@Doane.gt.ca

Liam Murphy
CPA, CA, CIRP, LIT
Senior Vice President
T +1 902 429 5435
E Liam.Murphy@Doane.gt.ca

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Appendix I

Monitor's Email to Potentially Interested Parties and Launch of SISP

Outlook

Opportunity to Acquire Premium NS Cannabis Producer

From Hines, Corey <Corey.Hines@doane.gt.ca>
Date Fri 5/9/2025 12:24 PM
To Mernova <Mernova@doane.gt.ca>
Cc Murphy, Liam <Liam.Murphy@doane.gt.ca>

1 attachment (159 KB)
Mernova - Solicitation Letter.pdf;

Good afternoon,

We are writing to advise you and your network of an opportunity to acquire and/or invest in a licensed cannabis production and distribution company, Mernova Medicinal Inc. ("**Mernova**" or the "**Company**") located in Windsor, Nova Scotia.

With both medical and recreational licensing from Health Canada, Mernova is a craft cannabis producer that cultivates a variety of premium products under its brand, Ritual Green. The Company's indoor cannabis growing facility measures ~24,000 sq/ft and sits on 10 acres of land, the majority of which is available for further development in Windsor's industrial park. The facility has a current annual operating capacity of ~1,250 kg across six growing rooms, with ability to add two additional rooms for further expansion. Mernova has market penetration in both the recreational and medical cannabis sectors in all provinces and territories, with exception to Quebec and British Columbia.

Sales Process
Grant Thornton Limited, in its capacity as Court-appointed Monitor (the "**Monitor**") of Mernova Medicinal Inc. and Creso Canada Ltd. is administering a Sales and Investment Solicitation Process ("**SISP**") by order of the Supreme Court of Nova Scotia.

The SISP is intended to solicit interest in, and opportunities for, the sale and/or investment in the going concern business of the Company. Interested parties must submit binding bids to the Monitor by the Bid Deadline of **June 23, 2025**.

Additional Information and Contact
Interested parties are encouraged to contact the Monitor for access to the Virtual Data Room ("**VDR**"), which contains a confidential information memorandum and additional information on the business. Copies of the detailed bidding procedures, the Solicitation Letter and the Confidentiality Agreement regarding the SISP are available on the Monitor's case management website: www.DoaneGrantThornton.ca/Mernova

Thank you for your time.

Corey Hines, CPA, CIRP, LIT | Manager, Restructuring
Grant Thornton Limited
1000 - 1675 Grafton St | Halifax | NS B3J 0E9

T +1 902 491 7704 | **C** +1 902 399 6319

E Corey.Hines@doane.gt.ca | **W** DoaneGrantThornton.ca

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Appendix J

Monitor’s Communication to Qualified Bidders Regarding La Plata

Doane Grant Thornton

May 9, 2025

Re: **In the Matter of the SISP of Mernova Medicinal Inc. and Creso Canada Ltd**
Opportunity for Potential Bidders to Partner with La Plata Capital LLC

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

Subsequently, on April 25, 2025, the Companies made a further application to the Court for, amongst other things, approval for the Monitor to administer a sales and investment solicitation process ("**SISP**") in respect of the Companies. The Monitor has made available to all interested parties (each, a "**Potential Bidder**") the SISP bidding procedures ("**Bidding Procedures**") and a virtual data room ("**VDR**") to assist Potential Bidders in evaluating the opportunity to acquire or invest in the Companies.

The Monitor understands that La Plata Capital LLC ("**La Plata**"), one of the Companies' senior secured creditors, may be interested in partnering with, or financing, a Potential Bidder in the SISP. La Plata is also entitled to participate in the SISP as a Potential Bidder, either through a credit bid or otherwise. Potential Bidders who wish to discuss this opportunity with La Plata must correspond with the Monitor directly to discuss at Mernova@Doane.gt.ca, with a copy to Liam.Murphy@Doane.gt.ca

All Potential Bidders are reminded of the following sections of the Bidding Procedures which remain enforced and must be strictly adhered to during the SISP:

- Sections 34 to 37 – Credit Bidding;
- Sections 48 to 50 – Confidentiality and Access to Information; and
- Sections 56 to 63 – Supervision of the SISP.

In accordance with the Bidding Procedures, Potential Bidders are strictly prohibited from discussing any aspect with respect to the SISP amongst each other, including that of La Plata, without the sole and express consent of the Monitor.

Sincerely,

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

Appendix K

Monitor's Requirements, Terms and Conditions for La Plata Discussions with Qualified Bidders

Outlook

RE: Mernova SISP - La Plata Calls with Qualified Bidders

From Geoff Long <geoff@laplata.capital>
Date Mon 6/2/2025 12:58 PM
To Hines, Corey <Corey.Hines@doane.gt.ca>; Burr, Chris <chris.burr@blakes.com>
Cc Murphy, Liam <Liam.Murphy@doane.gt.ca>; Sara L. Scott <sscott@stewartmckelvey.com>; David Wedlake <dwedlake@stewartmckelvey.com>; Brewster Boyd <brewster@laplata.capital>

CAUTION: EXTERNAL EMAIL. DO NOT CLICK ON LINKS OR OPEN ATTACHMENTS YOU DO NOT TRUST
DO NOT ENTER YOUR GT PASSWORD ON ANY EXTERNAL EMAIL REQUEST

Sounds good. Thanks for the clarification.

GEOFF LONG
PRESIDENT
303.947.6462
www.laplata.capital

From: Hines, Corey <Corey.Hines@doane.gt.ca>
Sent: Monday, June 2, 2025 9:34 AM
To: Burr, Chris <chris.burr@blakes.com>; Geoff Long <geoff@laplata.capital>
Cc: Murphy, Liam <Liam.Murphy@doane.gt.ca>; Sara L. Scott <sscott@stewartmckelvey.com>; David Wedlake <dwedlake@stewartmckelvey.com>; Brewster Boyd <brewster@laplata.capital>
Subject: Mernova SISP - La Plata Calls with Qualified Bidders

Chris and Geoff,

Ahead of calls this afternoon, and potentially later this week, between La Plata and Qualified Bidders within the Mernova SISP, the Monitor wanted to reach out ahead of time to discuss how it intends to facilitate these discussions while maintaining the integrity of the SISP.

La Plata has now provided notice to the Monitor that it may credit bid as a participant within the SISP, pursuant to s. 35 of the SISP procedures. In the interest of fairness to all SISP participants, the Monitor would suggest a brief note be posted within the Firmex data room disclosing this to Qualified Bidders - similar to the note advising that LaPlata may be interested in partnering with Qualified Bidders in advancing a Bid.

To avoid the appearance of conflict, the Monitor will require that all communications between La Plata and Qualified Bidders continue to be facilitated through the Monitor. Questions and emails from Qualified Bidders would continue to be sent, and responded, to/by the Monitor, and should questions be specific to La Plata, the Monitor can connect with La Plata regarding the same. The Monitor would further be required to attend all calls between La Plata and the Qualified Bidders when considering potential partnerships or joint bids.

During these calls, as La Plata has indicated that it may credit bid, La Plata would not be able to discuss with Qualified Bidders any other potential offers or its discussions with other Qualified Bidders. The disclosure of identities or discussions of potential offers to other Qualified Bidders within the SISP would be adverse to s. 48 of the SISP procedures.

The Monitor has drafted the below outline of a script that it would intend to use as an introduction to each call with Qualified Bidders:

- The Monitor would explain its role as a neutral third party, Court-appointed Monitor of the Companies and has been tasked with administering the SISP pursuant to an order of the Court.
- In its administration of the SISP, the Monitor has received executed Confidentiality Agreements from La Plata and the Qualified Bidders, where both parties have agreed to adhere to the SISP procedures.
- The Monitor would advise that La Plata has provided notice to the Monitor that it may credit bid, pursuant to s. 35 of the SISP procedures.
- All communication regarding the SISP from either La Plata or Qualified Bidders are to continue to be made to the Monitor. The Monitor will facilitate any future calls or discussions between La Plata or Qualified Bidders.

- The Monitor understands, generally, that LaPlata is not in the business of owing companies- it is in the business of providing debt against those companies, and it is in this vein that the Monitor understands that LaPlata may be interested in working with a Qualified Bidder to advance a joint bid in respect of Mernova.
- The Monitor would advise all parties that discussions of other Qualified Bidders is prohibited pursuant to s. 48 of the SISP procedures. Qualified Bidders may only discuss a potential partnership or joint bid with La Plata, and La Plata cannot disclose discussions with other Qualified Bidders and their respective potential offers.
- Requests for additional calls, or questions from either party through email, are to be made to the Monitor to facilitate a response.
- While the Monitor will be present during all calls as between La Plata and a Qualified Bidder, the Monitor would set only to provide an introduction to the call and address any direct SISP related questions. The Monitor may also take note of certain questions, particularly operational, and respond following the call after consultation with Mernova.

Thanks,

Corey Hines, CPA, CIRP, LIT | Manager, Restructuring
Grant Thornton Limited
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T +1 902 491 7704 | **C** +1 902 399 6319
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Doane Grant Thornton

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Appendix L

Monitor’s Second Communication to Qualified Bidders Regarding La Plata

Doane Grant Thornton

Update – June 6, 2025

Re: In the Matter of the SISP of Mernova Medicinal Inc. and Creso Canada Ltd

Update with Regards to La Plata Capital LLC

The Monitor is providing further communication from its letter to Qualified Bidders on May 9, 2025, which is encouraged to be read in conjunction with this notice. Capitalized terms not otherwise defined herein are as defined in the Monitor's May 9th correspondence to Qualified Bidders.

The Monitor understands that La Plata Capital LLC ("**La Plata**") has purchased the outstanding debt and security of the Companies' senior secured creditor, Briant Nominees Pty Ltd. ("**Briant**"). While the Monitor has not yet completed its security review of either La Plata or Briant's security, the Monitor wishes to advise Qualified Bidders of this development in the CCAA proceedings.

Pursuant to s. 35 of the SISP procedures, on May 27, 2025, the Monitor received notification from La Plata that it may submit a credit bid with respect to its debt at the Bid Deadline, which for certainty, such debt now includes the balance outstanding by the Companies to Briant. As such, La Plata is now considered a Qualified Bidder within the terms and definitions of the SISP Procedures.

Bid Deadline – June 23, 2025

The Monitor wishes to remind all parties that the Bid Deadline is quickly approaching, being **June 23, 2025**. Should Qualified Bidders have further due diligence questions, please contact the Monitor at any time and the Monitor will facilitate answers to your question from the Companies.

As well, should any Qualified Bidder wish to arrange for a tour of Mernova's facilities, this can be arranged through the Monitor.

Joint Bid Opportunity with La Plata

As noted within the Monitor's notice to Qualified Bidders dated May 9, 2025, La Plata had advised the Monitor that it may be interested in partnering with, or financing, a Potential Bidder in the SISP. The Monitor understands that, generally, La Plata is not in the business of owning companies but rather is a private debt investor that provides strategic growth capital. It is in this vein that the Monitor is advised that LaPlata may be interested in working with a Qualified Bidder to advance a joint bid in respect of the Companies, recognizing the potential for LaPlata to also Credit bid pursuant to s. 35 of the SISP Procedures.

Should Qualified Bidders wish to discuss the potential of a LaPlata joint bid within the SISP, Qualified Bidders should advise the Monitor forthwith to facilitate discussions, given the Bid Deadline is **June 23, 2025**. La Plata has provided to the Monitor its expectations and general timeline to allow for sufficient advancement of a joint bid:

1. **June 10, 2025:** Qualified Bidders communicate to the Monitor that it would have an interest in working with La Plata towards a joint bid, while providing a high-level guidance of a proposed structure and purchase price.
2. **June 13, 2025:** Qualified Bidders would provide historical financial information to La Plata to facilitate La Plata's own due diligence with respect to the Qualified Bidder.

3. **June 16, 2025:** La Plata to determine if a joint bit would be acceptable with a Qualified Bidder.
4. **Week of June 16, 2025:** La Plata and Qualified Bidder to work towards a mutually acceptable structure and joint bid within the SISP.

The Monitor notes that the above timeline is at the request of La Plata and is only with regards to a joint bid with La Plata. This timeline does not supersede the timelines as outlined within the SISP Bidding Procedures, and Qualified Bidders are not required to work with LaPlata to advance a Bid in the SISP.

The Monitor encourages all Qualified Bidders to provide a binding offer within the SISP at the Bid Deadline, either (i) individually without La Plata, (ii) a joint bid with La Plata, and/or (iii) both an individual offer and a joint bid with La Plata. The Monitor endeavors to provide flexibility within the SISP for all Qualified Bidders for the general benefit of the Companies' stakeholders, while also maintaining the efficacy and integrity of the SISP.

Should Qualified Bidders have further questions regarding a submission of a bid(s) at the Bid Deadline, please do not hesitate to contact the Monitor at any time.

Communication between La Plata and Other Qualified Bidders

The Monitor advises all parties that discussions between Qualified Bidders without the consent of the Monitor is prohibited pursuant to s. 28 and 48 of the SISP procedures, including discussions with LaPlata. Qualified Bidders may only discuss a potential partnership or joint bid with La Plata when the Monitor is present (written, electronically or in person) and La Plata cannot disclose discussions with other Qualified Bidders and their respective potential offers.

The Monitor, in its administration of the SISP, is to be a participant on all calls and facilitate all correspondence as between La Plata and other Qualified Bidders. The Monitor's role with respect to these discussions will be to ensure that all Qualified Bidders continue to act in good faith and with due diligence, maintaining the integrity of the SISP and a level playing field amongst the Qualified Bidders with respect to each bid.

Sincerely,

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

Appendix M

Actual to Budget Comparison of Extended Cash Flow Forecast
Weeks 1-12

In the Matter of the *Companies' Creditors Arrangement Act* Proceedings of
Mernova Medicinal Inc. and Creso Canada Ltd. — Second Report
Weeks 1-12 - April 7, 2025 to June 29, 2025 — Appendix M

	Weeks 1 - 12 April 7, 2025 to June 29, 2025		
	Budget	Actual	Variance
Projected Receipts:			
Cannabis revenues	2,171,850	3,056,583	884,734
Total Projected Receipts	**2,171,850**	**3,056,583**	**884,734**
Projected Disbursements:			
Payroll and employee benefits	633,252	556,583	76,668
Insurance	53,005	42,248	10,757
Software	5,928	9,152	(3,224)
Utilities	255,738	8,060	247,678
Excise stamps	9,763	22,858	(13,095)
Supplies- packaging, production	239,385	317,766	(78,381)
Freight and shipping	45,926	83,745	(37,819)
Bulk cannabis	241,953	730,716	(488,763)
Vape/Live Roson	160,758	42,094	118,665
Testing and Quality Control	16,144	19,784	(3,641)
HST (recovery)	70,735	54,863	15,873
Excise taxes	343,246	138,695	204,550
Property Taxes	-	-	-
Other operating	81,329	180,812	(99,482)
Growth Capex	30,000	7,390	22,610
Car Lease	2,069	2,051	18
Contingency	60,000	65,000	(5,000)
Operating disbursements	**2,249,232**	**2,281,817**	**(32,586)**
Net operating cash flows	**(77,382)**	**774,766**	**852,148**
Restructuring fees			
DIP fees and interest	-	-	-
Monitor	176,550	104,196	72,354
Monitor legal counsel	41,250	27,336	13,914
Financial advisor	16,950	16,950	-
Company legal counsel	163,275	112,011	51,264
Total restructuring fees	**398,025**	**260,494**	**137,531**
Net cash flows	**(475,407)**	**514,272**	**989,679**
Opening cash	89,104	89,104	-
DIP Advances	500,000	499,899	(101)
Closing Cash Position	**113,697**	**1,103,275**	**989,579**

Appendix N

October Cash Flow Forecast

Mernova Medicinal Inc. and Creso Canada Limited
October Cash Flow Forecast - Prepared by Management
June 30, 2025 to October 5, 2025

	Notes	Weeks 1-12 Actual 7/Apr/25 29/Jun/25	Week 13 Projected 30/Jun/25 6/Jul/25	Week 14 Projected 7/Jul/25 13/Jul/25	Week 15 Projected 14/Jul/25 20/Jul/25	Week 16 Projected 21/Jul/25 27/Jul/25	Week 17 Projected 28/Jul/25 3/Aug/25	Week 18 Projected 4/Aug/25 10/Aug/25	Week 19 Projected 11/Aug/25 17/Aug/25	Week 20 Projected 18/Aug/25 24/Aug/25	Week 21 Projected 25/Aug/25 31/Aug/25	Week 22 Projected 1/Sep/25 7/Sep/25	Week 23 Projected 8/Sep/25 14/Sep/25	Week 24 Projected 15/Sep/25 21/Sep/25	Week 25 Projected 22/Sep/25 28/Sep/25	Week 26 Projected 29/Sep/25 5/Oct/25	Total Weeks 1-26 7/Apr/25 5/Oct/25
Projected Receipts:																	
Cannabis revenues	[1]	3,056,583	143,864	399,513	134,747	379,649	327,497	108,233	285,649	306,374	115,976	248,698	158,863	256,656	220,168	193,516	6,335,986
Total Projected Receipts		**3,056,583**	**143,864**	**399,513**	**134,747**	**379,649**	**327,497**	**108,233**	**285,649**	**306,374**	**115,976**	**248,698**	**158,863**	**256,656**	**220,168**	**193,516**	**6,335,986**
Projected Disbursements:																	
Payroll and employee benefits	[2]	556,583	-	97,500	-	97,500	7,506	97,500	-	97,500	-	105,006	-	97,500	-	105,006	1,261,601
Insurance	[3]	42,248	-	-	12,000	2,500	-	-	12,000	2,500	-	-	-	12,000	2,500	-	85,748
Software		9,152	2,964	-	3,000	250	-		3,000	250			3,000		250		21,866
Utilities	[4]	8,060	-	300,000	-	35,000	35,000	-	-	35,000	35,000	-	-	-	35,000	35,000	518,060
Excise stamps		22,858	4,882	-	-	7,500	-	-	-	-	5,500	-	-	-	7,500	-	48,240
Supplies- packaging, production		317,766	20,182	31,654	8,663	27,323	7,537	45,656	15,846	19,876	26,749	108,153	10,649	34,316	18,651	9,054	702,075
Freight and shipping		83,745	5,096	10,658	6,751	8,231	7,239	5,652	5,946	11,365	2,597	5,137	12,353	9,651	8,531	4,358	187,310
Bulk cannabis		730,716	-	91,651	75,634	78,153	80,351	-	101,645	64,065	117,231	55,645	-	48,640	67,411	44,516	1,555,658
Vape/Live Roson		42,094	-	-	24,872	20,000	-	-	18,645	-	-	15,964	-	-	-	6,793	128,368
Testing and Quality Control		19,784	5,976	-	7,434	-	2,590	-	1,367	-	6,516	-	1,687	-	5,463	-	50,817
HST (recovery)		54,863	-	-	-	-	46,638	-	-	-	1,700	-	-	-	47,929	-	151,130
Excise taxes	[5]	138,695	-	-	-	-	212,400	230,000	-	-	-	-	-	-	-	212,400	793,495
Other operating		180,812	8,647	15,648	12,864	9,413	23,352	5,564	1,496	9,485	5,367	6,531	11,667	5,185	23,186	6,597	325,814
Growth Capex		7,390	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,390
Car Lease		2,051	-	-	690	-	-	-	690	-	-	-	-	690	-	-	4,121
Contingency		65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	65,000
Operating disbursements		**2,281,817**	**47,747**	**547,111**	**151,908**	**285,870**	**422,613**	**384,372**	**160,635**	**240,041**	**200,660**	**296,436**	**39,356**	**207,982**	**216,421**	**423,724**	**5,906,693**
Net operating cash flows		**774,766**	**96,117**	**(147,599)**	**(17,161)**	**93,779**	**(95,116)**	**(276,139)**	**125,014**	**66,333**	**(84,684)**	**(47,738)**	**119,507**	**48,674**	**3,747**	**(230,208)**	**429,293**
Restructuring fees																	
Monitor		104,196	44,004	-	-	50,000	-	-	-	30,000	-	-	15,000	-	-	35,000	278,200
Monitor legal counsel		27,336	10,000	-	-	10,000	-	-	-	15,000	-	-	15,000	-	-	15,000	92,336
Financial advisor	[6]	16,950	16,950	-	-	-	5,650	-	-	-	5,650	-	-	-	-	-	45,200
Company legal counsel		112,011	88,922	-	-	15,000	-	-	-	50,000	-	-	40,000	-	-	-	305,933
Total restructuring fees		**260,494**	**159,876**	**-**	**-**	**75,000**	**5,650**	**-**	**-**	**95,000**	**5,650**	**-**	**70,000**	**-**	**-**	**50,000**	**721,670**
Net cash flows		**514,272**	**(63,758)**	**(147,599)**	**(17,161)**	**18,779**	**(100,766)**	**(276,139)**	**125,014**	**(28,667)**	**(90,334)**	**(47,738)**	**49,507**	**48,674**	**3,747**	**(280,208)**	**(292,377)**
Opening cash		89,104	1,103,376	1,039,617	892,019	874,858	893,637	792,871	516,732	641,746	613,079	522,745	475,007	524,514	573,188	576,934	89,104
DIP Advances		500,000															500,000
Closing Cash Position		**1,103,376**	**1,039,617**	**892,019**	**874,858**	**893,637**	**792,871**	**516,732**	**641,746**	**613,079**	**522,745**	**475,007**	**524,514**	**573,188**	**576,934**	**296,726**	**296,726**

Mernova Medicinal Inc. and Creso Canada Limited
October Cash Flow Forecast - Prepared by Management
June 30, 2025 to October 5, 2025

Purpose and Disclaimer

Purpose:
This statement of projected cash flow ("**October Cash Flow Forecast**") has been prepared by Mernova Medicinal Inc. ("**Mernova**") and Creso Canada Limited ("**Creso**", together with Mernova, the "**Mernova Group**") in accordance with s. 23(1)(b) of the *Companies Creditors' Arrangement Act* ("**CCAA**") for the period of June 30, 2025 to October 5, 2025 ("**Cash Flow Period**"). The Mernova Group has prepared the October Cash Flow Forecast based on probable and hypothetical assumptions that reflect the Mernova Group's continued operations, and its understanding of the expected restructuring activities. Management is of the opinion that, as at the date of filing the October Cash Flow Forecast, the assumptions used to develop the October Cash Flow Forecast represent the most probable set of economic conditions facing the Mernova Group and that the assumptions used provide a reasonable basis for and are consistent with the purpose of this October 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 October Cash Flow Forecast, and the probable assumptions are suitably supported and consistent with the plans of the Mernova Group and provide a reasonable basis for the October 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 October Cash Flow Forecast has been prepared solely for the purpose described above, using a set of hypothetical and probable assumptions set out in Notes below. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Notes to Cash Flow Forecast

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

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

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

[4] Projected utilities expenditures in Week 14 are Management's estimate of post-CCAA electricity usage, not yet invoiced by Nova Scotia Power. Nova Scotia Power sufferred a cyber security attack near the beginning of the CCAA proceedings, which has resulted in a significant delay with invoicing customers, including that of the Mernova Group.

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

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

As of 2025-07-04 | 14:19:52 PDT

DocuSigned by:
Micheline MacKay

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