COURT FILE NUMBER	**2403-15089**
COURT	**COURT OF KING'S BENCH OF ALBERTA**
JUDICIAL CENTRE	**EDMONTON**
APPLICANTS	**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, RSC 1985, c C-36, AS AMENDED** **AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF FREEDOM CANNABIS INC.**
DOCUMENT	**FIRST REPORT OF THE MONITOR** **AUGUST 13, 2024**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT:	**MONITOR** KPMG Inc. Bay Adelaide Centre 333 Bay Street, Suite 4600 Toronto, ON Attn: Pritesh Patel / Tim Montgomery Tel: (416) 468-7923 / (416) 777-8615 Email: pritpatel@kpmg.ca / timmontgomery@kpmg.ca **MONITOR'S COUNSEL** Blake, Cassels & Graydon LLP 199 Bay Street, Suite 4000 Toronto, ON M5L 1A9 Attn: Chris Burr / Christopher Keliher Tel: (416) 863-3261 / (403) 260-9760 Email: chris.burr@blakes.com / christopher.keliher@blakes.com

TABLE OF CONTENTS

I. INTRODUCTION **1**

II. PURPOSE OF REPORT **2**

III. TERMS OF REFERENCE **2**

IV. ACTIVITIES OF THE APPLICANT **3**

V. ACTIVITIES OF THE MONITOR **4**

VI. RECEIPTS AND DISBURSMENTS FOR WEEK ENDING AUGUST 11, 2024 .... **4**

VII. STAY EXTENSION **5**

VIII. PROPOSED AMENDMENTS TO INITIAL ORDER **6**

IX. CONCLUSIONS AND RECOMMENDATIONS **9**

APPENDICES

APPENDIX "A" – PRE-FILING REPORT OF THE PROPOSED MONITOR DATED AUGUST 6, 2024

APPENDIX "B" – CASH FLOW FORECAST

I. INTRODUCTION

1. On August 8, 2024 (the "**Filing Date**"), Court of the King's Bench of Alberta (the "**Court**") granted an order (the "**Initial Order**") granting Freedom Cannabis Inc. ("**Freedom**" or the "**Applicant**") protection pursuant to the *Companies' Creditors Arrangement Act* (the "**CCAA**") and appointing KPMG Inc. ("**KPMG**") as Monitor of the Applicant in the CCAA proceedings (in such capacity, the "**Monitor**"). The Initial Order provides a stay of proceedings in respect of the Applicant, and certain subsidiaries of the Applicant and their respective directors and officers, until and including August 18, 2024 (the "**Stay Period**").

2. KPMG, in its capacity as Proposed Monitor, provided this Court with a report dated August 6, 2024 (the "**Pre-Filing Report**") that contained information on, *inter alia*, the operations, financial position and creditors of the Applicant, an overview of the Applicant's 13-week cash-flow forecast, the terms of an interim financing facility (the "**DIP Facility**") made available to the Applicant by JL Legacy Inc. ("**JLL**", and in such capacity, the "**DIP Lender**") in order to finance its working capital requirements and restructuring costs, and the Proposed Monitor's associated conclusions. A copy of the Pre-Filing Report (without exhibits) is attached as **Appendix "A"** to this report.

3. The Court scheduled a comeback hearing to be heard on August 15, 2024 (the "**Comeback Hearing**"). At the Comeback Hearing, the Applicant is seeking an Amended and Restated Initial Order (the "**ARIO**") that, among other things:

   (a) increases the quantum of the Administration Charge to $0.5 million;

   (b) increases the quantum of the Directors' Charge to $1.5 million;

   (c) increases the quantum of DIP Lender's Charge to the maximum principal amount of $1.5 million plus interest, fees, and expenses; and

   (d) extends the Stay Period established by the Initial Order until and including September 18, 2024.

4. Copies of materials and documents filed in connection with these CCAA proceedings are available on the Monitor's website at https://kpmg.com/ca/freedom (the "**Case Website**")

In addition, KPMG has arranged for a toll-free hotline (1-833-668-2933) and an email address freedom@kpmg.ca through which creditors of the Applicant or other interested parties can make inquires related to the CCAA proceedings.

II. PURPOSE OF REPORT

5. The purpose of this report (the "**First Report**") is to provide the Court with information pertaining to:

   (a) an overview of the activities of the Applicant and the Monitor since the granting of the Initial Order;

   (b) an update on the Applicant's operations since the granting of the Initial Order, including an overview of actual cash receipts and disbursements;

   (c) a summary of the amendments sought by the Applicant pursuant to the proposed ARIO; and

   (d) the Monitor's recommendations regarding the relief sought by the Applicant at the Comeback Hearing.

III. TERMS OF REFERENCE

6. In preparing the First Report, KPMG has relied solely on information and documents provided to it by the Applicant and its respective advisors, including unaudited, draft and/or internal financial information, financial projections prepared by the Applicant, discussions with management of the Applicant, and the affidavit of the Applicant's executive (collectively, the "**Information**"). In accordance with industry practice, except as otherwise described in the First Report, KPMG has reviewed the Information for reasonableness, internal consistency, and use in the context in which it was provided. However, KPMG has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Auditing Standards ("**GAAS**") pursuant to the *Chartered Professional Accountant of Canada Handbook* and, as such, KPMG expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.

7. Capitalized terms used but not defined in the First Report are defined in the Affidavit of Mr. JohnFrank Potestio sworn August 13, 2024 (the "**August 13 Potestio Affidavit**"), filed by the Applicant as part of its materials in support of the Comeback Hearing and the proposed ARIO. The First Report should be read in conjunction with the August 6 Potestio Affidavit, as certain information contained in the August 13 Potestio Affidavit has not been included herein in order to avoid unnecessary duplication.

8. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

IV. ACTIVITIES OF THE APPLICANT

9. Since the date of the Initial Order, the Applicant, with the assistance of the Monitor, has been managing its operations in the normal course and working to stabilize the business as a result of the CCAA proceedings.

10. As outlined in the August 13 Potestio Affidavit, the activities of the Applicant have included:

   (a) communicating with, providing information to, and answering questions of, creditors, employees, and other stakeholders regarding the CCAA proceedings;

   (b) managing key relationships with customers and suppliers, and operating the business in accordance with the terms of the Initial Order;

   (c) working with and corresponding regularly with representatives of the Monitor regarding numerous matters in the CCAA proceedings, including planned disbursements; and

   (d) engaging in discussions with the DIP Lender in respect of Freedom's business and next steps in the CCAA proceedings.

11. In addition, the Applicant has been working with the Monitor to manage Freedom's cash flows and to make payments to suppliers in accordance with the Initial Order.

V. ACTIVITIES OF THE MONITOR

12. Since the date of the Initial Order, the Monitor's activities have included:

(a) making arrangements to have notice of the CCAA proceedings published in the Globe and Mail (National Edition) and other publications, as required pursuant to the Initial Order;

(b) making arrangements to have the notice of the CCAA proceedings sent to all known creditors with claims greater than $1,000 against the Applicant;

(c) filing prescribed documents with the Office of the Superintendent of Bankruptcy pursuant to the CCAA;

(d) maintaining the Case Website where all Court documents and other material documents pertaining to the CCAA proceedings are available in electronic form;

(e) implementing procedures for the monitoring of the Applicant's cash flows and to allow for payments in accordance with the terms of the Initial Order;

(f) assisting the Applicant with their communications with stakeholders, including vendors and key partners;

(g) engaging with the Monitor's legal counsel, Blake, Cassels & Graydon LLP ("**Blakes**") regarding matters related to the CCAA proceedings, including the review of JLL's pre-filing security;

(h) reviewing materials filed by the Applicant in connection with the Comeback Hearing; and

(i) preparing this First Report.

VI. RECEIPTS AND DISBURSMENTS FOR WEEK ENDING AUGUST 11, 2024

13. A copy of the Applicant's cash flow forecast (the "**Cash Flow Forecast**") for the period from August 5, 2024 to November 3, 2024 (the "**Forecast Period**"), including

accompanying notes and a report containing prescribed representations regarding the preparation of the Cash Flow Forecast, was included with the Pre-Filing Report and is attached hereto as **Appendix "B"**.

14. As noted, the Monitor has implemented procedures for monitoring the Applicant's receipts and disbursements on a weekly basis, including a review of forecast to actual variance analyses.

15. Total receipts for the period August 8 to August 11, 2024 were approximately $0.3 million from accounts receivable (as compared to a forecast of $0.25 million) and the Applicant made payments totalling approximately $0.04 million (as compared to a forecast of $0.75 million), for net cash flow of $0.2 million (as compared to a forecast cash outflow of negative $0.5 million). The Applicant, in consultation with the Monitor, did not make any payments to suppliers on account of pre-filing amounts since the Filing Date.

16. As a result of this positive variance, the Applicant did not require any advances under the DIP Facility during the reporting period. However, the Applicant attributes the majority of this positive variance to be related to timing (excluding the payroll amounts that were funded prior to filing in the normal course), which will reverse in subsequent weeks, and as a result there will be an imminent need for an advance under the DIP Facility in the coming weeks.

17. The Cash Flow Forecast projects borrowings under the DIP Facility in the amount of $1.5 million over the Forecast Period. These amounts may differ due to the timing of receipts and disbursements over the Forecast Period.

18. With access to the DIP Facility, the Applicant will have sufficient funding during the Forecast Period to ensure continued operations during the CCAA proceedings.

VII. STAY EXTENSION

19. The current Stay Period expires on August 18, 2024. The Applicant is seeking an extension of the Stay Period to September 18, 2024.

20. The Monitor supports the Applicant's request for an extension of the Stay Period to September 18, 2024 for the following reasons:

(a) the Applicant is acting in good faith and with due diligence;

(b) the extension of the Stay Period will provide the Applicant the opportunity to formulate and seek approval for a sale and investment solicitation process or explore restructuring options with a view to maximizing creditor and stakeholder recoveries; and

(c) granting an extension of the Stay Period should not materially prejudice any creditor of the Applicant as the Cash Flow Forecast reflects that the Applicant is projected to have sufficient funding to continue to operate in the normal course through the proposed stay extension period.

VIII. PROPOSED AMENDMENTS TO INITIAL ORDER

21. As outlined in the August 13 Potestio Affidavit, the Applicant is seeking certain amendments to the Initial Order including, but not limited to:

(a) increasing the Administration Charge from \$0.25 million to \$0.5 million;

(b) increasing the Directors' Charge from \$0.45 million to \$1.5 million;

(c) increasing the DIP Lender's Charge from the maximum principal amount of \$1.0 million to \$1.5 million plus interest, fees, and expenses; and

(d) elevating the priority of the Administration Charge, the Directors' Charge and the DIP Lender's Charge above all other Encumbrances (as defined in the proposed ARIO).

22. As further described in the Pre-filing Report, the Applicant had contemplated seeking, among other things, an increase in the Administration Charge, the Directors' Charge and the DIP Lender's Charge at the Comeback Hearing; and an elevation of the priority of the Charges above all other encumbrances.

Increase in Administration Charge

23. The Initial Order provides for a charge on all Property of the Applicant in favour of the Monitor, counsel to the Monitor, and the Applicant's counsel, as security for their respective professional fees and disbursements, incurred both before and after the granting of the Initial Order, in the aggregate amount of $250,000 (the "**Administration Charge**").

24. As noted in the August 13 Potestio Affidavit, the Applicant seeks to increase the Administration Charge to $0.5 million to account for the work to be provided by the parties covered under the Administration Charge during the CCAA proceedings. The Monitor is of the view that the increased Administration Charge is reasonable and appropriate in the circumstances, is comparable to the size of court-ordered administration charges granted in similar proceedings, and, accordingly, supports the Applicant's request to increase the Administration Charge.

25. The Monitor understands JLL has consented to the increase in the Administration Charge.

Increase in Directors' Charge

26. The Initial Order provides for a charge of $0.45 million to secure the Applicant's indemnity obligations to the current directors and officers of the Applicant (the "**Directors and Officers**") against obligations and liabilities that they may incur as directors or officers of the Applicant after the commencement of these CCAA proceedings (the "**Directors' Charge**").

27. Pursuant to the proposed ARIO, the Applicant seeks to increase the Directors' Charge to $1.5 million. The quantum of the increase in the Directors' Charge has been calculated by the Applicant, in consultation with the Monitor, taking into consideration excise taxes, sales taxes, employee payroll and related expenses (including source deductions), as well as other employment related liabilities, that attract potential liability for the Directors and Officers during the period after the Filing Date.

28. The Monitor notes that the Directors and Officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and

officers' insurance policy, or to the extent such coverage is insufficient to pay an indemnified amount. In light of the foregoing, the Monitor supports the Applicant's request to increase the Directors' Charge.

29. The Monitor understands JLL has consented to the increase in the Directors' Charge.

Increase in DIP Lender's Charge

30. As noted above, JLL agreed to provide a DIP Facility in the maximum amount of $3.0 million to fund the Applicant's working capital and for general corporate purposes, including legal and other professional costs associated with these CCAA proceedings.

31. The Initial Order provides a charge on all Property of the Applicant in favour of JLL in the aggregate amount of $1.0 million (the "**DIP Lender's Charge**" and together with the Administration Charge and the Directors' Charge, the "**Charges**"). The purpose of the DIP Lender's Charge is to secure the DIP Facility.

32. While the $1.0 million DIP Lender's Charge was sufficient to secure advances made pursuant to the DIP Facility during the ten-day period prior to the Comeback Hearing, the Applicant, in consultation with the Monitor, has determined that additional advances will be required under the DIP Facility to fund operations during the Applicant's CCAA proceedings.

33. Based on the Cash Flow Forecast, the Applicant is seeking to increase the DIP Lender's Charge to the maximum principal amount of $1.5 million plus interest, fees, and expenses, to account for the projected funding required during the period up to September 18, 2024.

34. The Monitor is of the view that the increased amount of the DIP Lender's Charge is reasonable and necessary in the circumstances, as the Applicant requires additional liquidity to operate during the CCAA proceedings.

35. The Monitor understands JLL has consented to and supports the increase in the DIP Lender's Charge.

Priming of the Charges

36. The Initial Order provides that the Charges rank in priority to the claims of those secured creditors that were served with the materials filed in support of the Initial Order. Secured creditors who were not served notice of the Applicant's materials were not affected by the Charges and did not have their security rights or interests affected by or subordinated to the Charges.

37. As noted in the August 13 Potestio Affidavit, the Applicant seeks to have the Charges rank ahead of all other security interests, trusts, liens, charges and encumbrances, and claims of secured creditors, statutory or otherwise, with such Charges to rank in the following order: (i) first, the Administration Charge, (ii) second, the Directors' Charge, and (iii) third, the DIP Lender's Charge.

38. The Monitor understands that the Applicant's will serve all secured parties who may be affected by the Charges with the materials for the Comeback Hearing and the proposed ARIO, and that the requested relief is ordinarily granted in similar proceedings under the CCAA. Accordingly, the Monitor is of the view that elevating the Charges over all Encumbrances is both appropriate and reasonable in the circumstances.

IX. CONCLUSIONS AND RECOMMENDATIONS

39. For the reasons set out in the First Report, the Monitor is of the view that the relief requested by the Applicant in the proposed ARIO is both appropriate and reasonable. The Monitor is also of the view that the Applicant is acting in good faith and with due diligence. Granting the relief sought by the Applicant will provide Freedom with the best opportunity to explore restructuring options under the CCAA and provide the Applicant with the time needed to advance the contemplated sale and investor solicitation process.

40. Based on the foregoing, the Monitor respectfully recommends that this Court approve the relief sought by the Applicant in the proposed ARIO.

All of which is respectfully submitted this 13th day of August 2024.

KPMG Inc.
In its capacity as Monitor of
Freedom Cannabis Inc.
And not in its personal or corporate capacity

Per:

____
Pritesh Patel
CIRP, LIT
Senior Vice President

____
Tim Montgomery
CIRP, LIT
Vice President

Appendix “A”

COURT FILE NUMBER	
COURT	**COURT OF KING'S BENCH OF ALBERTA**
JUDICIAL CENTRE	**EDMONTON**
APPLICANTS	**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, RSC 1985, c C-36, AS AMENDED** **AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF FREEDOM CANNABIS INC.**
DOCUMENT	**PRE-FILING REPORT OF THE PROPOSED MONITOR** **AUGUST 6, 2024**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT:	**PROPOSED MONITOR** KPMG Inc. Bay Adelaide Centre 333 Bay Street, Suite 4600 Toronto, ON Attn: Pritesh Patel / Tim Montgomery Tel: (416) 468-7923 / (416) 777-8615 Email: pritpatel@kpmg.ca / timmontgomery@kpmg.ca **PROPOSED MONITOR'S COUNSEL** Blake, Cassels & Graydon LLP 199 Bay Street, Suite 4000 Toronto, ON M5L 1A9 Attn: Chris Burr / Christopher Keliher Tel: (416) 863-3261 / (403) 260-9760 Email: chris.burr@blakes.com / christopher.keliher@blakes.com

TABLE OF CONTENTS

I. INTRODUCTION 1
II. PURPOSE OF REPORT 3
III. TERMS OF REFERENCE 3
IV. KPMG'S QUALIFICATIONS TO ACT AS MONITOR 4
V. BACKGROUND 5
VI. CASH FLOW FORECAST 11
VII. PROPOSED DIP FACILITY 13
VIII. PROPOSED COURT ORDERED CHARGES 17
IX. OTHER RELIEF 20
X. CASH MANAGEMENT SYSTEM 23
XI. CONCLUSIONS 23

APPENDICES

APPENDIX "A" – CASH FLOW FORECAST

APPENDIX "B" – DIP LOAN ANALYSIS AS AT MAY 13, 2024

I. INTRODUCTION

1. KPMG Inc. ("**KPMG**" or the "**Proposed Monitor**") understands that Freedom Cannabis Inc. ("**Freedom**" or the "**Applicant**") intends to make an application (the "**Application**") before the Court of the King's Bench of Alberta (the "**Court**") returnable on August 8, 2024, seeking an Initial Order (the "**Proposed Initial Order**") pursuant to the *Companies' Creditors Arrangement Act* (the "**CCAA** to, among other things:

   (a) obtain a stay of proceedings (the "**Stay of Proceedings**") in respect of the Applicant until and including August 19, 2024;

   (b) extend the benefit of the Stay of Proceedings and other aspects of the Proposed Initial Order to the Non-Applicant Stay Parties (as defined below) and their respective directors and officers;

   (c) appoint KPMG as the monitor in respect of the Applicant as part of the proposed CCAA proceeding, with the powers set out in the Proposed Initial Order;

   (d) approve the terms of an interim senior secured, super-priority financing facility (the "**DIP Facility**") to be provided by JL Legacy Inc. ("**JLL**") to the Applicant in order to finance its working capital requirements and other general corporate purposes and restructuring costs, pursuant to a DIP facility term sheet dated August 6, 2024 (the "**DIP Term Sheet**");

   (e) grant a charge in favour of JLL in its capacity as debtor-in-possession lender to secure the obligations owing by the Applicant under the DIP Term Sheet (the "**DIP Lender's Charge**");

   (f) authorize the Applicant to (i) make payment to certain suppliers who are critical to the business and operations of the Applicant for pre-filing expenses, and (ii) honour cheques issued to providers of goods and services prior to the Initial Order, in each case with consent of the Monitor which are necessary to facilitate the Applicant's ongoing operations and to preserve value during the CCAA proceedings, up to a maximum aggregate amount of $500,000;

(g) authorizing the Applicant to continue to use the Cash Management System (as defined herein);

(h) preserve and maintain the Health Canada Licenses and the Excise License (as both defined herein) during the Stay of Proceedings; and

(i) grant the Administration Charge and the Directors' Charge (each as defined herein).

2. The Proposed Monitor understands the primary objectives of the CCAA proceedings are to:

(a) facilitate the ongoing operations of the Applicant;

(b) ensure the Applicant has the necessary working capital to maximize the value of its business for the benefit of the Applicant's stakeholders, while providing the opportunity to restructure its business and affairs; and

(c) permit the Monitor, if appointed, to conduct a sale and investment solicitation process (the "**SISP**") for the business, assets and/or shares of Freedom.

3. Should the Court grant the Proposed Initial Order, the Proposed Monitor understands that the Applicant intends to bring a motion returnable within the ten (10) day stay period (the "**Comeback Hearing**") seeking an amendment and restatement of the Initial Order (such order, the "**ARIO**") that will, among other things:

(a) increase the quantum of the Administration Charge, the Directors' Charge and the DIP Lender's Charge;

(b) elevate the priority of the DIP Lender's Charge above all other charges and encumbrances, other than the Administration Charge and the Directors' Charge;

(c) extend the Stay of Proceedings established by the Proposed Initial Order; and

(d) seek such other relief as may be appropriate to advance these CCAA proceedings.

4. Should the Court grant the Proposed Initial Order, KPMG (in its then capacity as Monitor) will report to the Court in connection with the Comeback Hearing and any other relief sought by the Applicant.

II. PURPOSE OF REPORT

5. This report (the "**Report**") has been prepared by KPMG as the Proposed Monitor of the Applicant in the CCAA proceedings. The purpose of the Report is to provide the Court with information pertaining to:

   (a) KPMG's qualifications to act as Monitor of the Applicant;

   (b) limited background information in respect of the operations, financial position and creditors of Freedom, as disclosed to the Proposed Monitor by the Applicant;

   (c) the cash flow projections for the Applicant (the "**Cash Flow Forecast**") for the period from August 5, 2024 to November 3, 2024 (the "**Forecast Period**");

   (d) summarize the key terms of the proposed DIP Facility to be made available to the Applicant from JLL in the maximum principal amount of $3.0 million;

   (e) the priority charges sought in the Proposed Initial Order;

   (f) the rationale for certain provisions sought by the Applicant in the Proposed Initial Order; and

   (g) the Proposed Monitor's conclusions and recommendations.

III. TERMS OF REFERENCE

6. In preparing this Report, KPMG has relied solely on information and documents provided to it by the Applicant and its respective advisors, including unaudited, draft and/or internal financial information, financial projections prepared by the Applicant, discussions with management of the Applicant, and the affidavit of the Applicant's executive (collectively, the "**Information**"). In accordance with industry practice, except as otherwise described in the Report, KPMG has reviewed the Information for reasonableness, internal

consistency, and use in the context in which it was provided. However, KPMG has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Auditing Standards ("**GAAS**") pursuant to the *Chartered Professional Accountant of Canada Handbook* and, as such, KPMG expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.

7. Capitalized terms used but not defined in this Report are defined in the Affidavit of Mr. JohnFrank Potestio sworn August 6, 2024 (the "**Potestio Affidavit**"), filed by the Applicant as part of its materials in support of the Application and the Proposed Initial Order. This Report should be read in conjunction with the Potestio Affidavit, as certain information contained in the Potestio Affidavit has not been included herein in order to avoid unnecessary duplication.

8. Future orientated financial information contained in the Cash Flow Forecast is based on the Applicant's estimates and assumptions regarding future events. Actual results will vary from the information presented even if the hypothetical assumptions occur, and variations may be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the Cash Flow Forecast will be achieved.

9. If the Proposed Initial Order is granted, and KPMG is appointed as Monitor, KPMG will make available all Court documents and other material documents pertaining to the CCAA proceedings on its website at https://kpmg.com/ca/freedom. In addition, KPMG has arranged for an email address freedom@kpmg.ca through which creditors of the Applicant or other interested parties can make inquiries related to the CCAA proceedings.

10. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

IV. KPMG'S QUALIFICATIONS TO ACT AS MONITOR

11. KPMG is a trustee within the meaning of section 2(1) of the *Bankruptcy and Insolvency Act* (the "**BIA**"). Further, KPMG is not subject to any of the restrictions on who may be

appointed as Monitor set out in section 11.7(2) of the CCAA. In particular, KPMG has never acted as auditor of the Applicant.

12. KPMG has experience acting as CCAA monitor and other court-officer capacities in insolvency proceedings. The senior professional personnel at KPMG with primary carriage of this matter are certified Chartered Insolvency and Restructuring Professionals and Licensed Insolvency Trustees and have acted in insolvency matters of a similar nature and scale across Canada.

13. Should the Court grant the Proposed Initial Order, KPMG has consented to act as Monitor. Furthermore, the Proposed Monitor has retained Blake, Cassels & Graydon LLP ("**Blakes**") to act as its independent counsel in these proceedings.

V. BACKGROUND

14. Detailed information with respect to the Applicant's business, operations and causes of insolvency are set out extensively in the Potestio Affidavit. The Proposed Monitor has reviewed the Potestio Affidavit and believes, based on the Information available to it, that it provides a fair and sufficient summary of the business and affairs of the Applicant and the causes of its insolvency. The information contained in this Report represents a summary of the background to the proposed CCAA proceedings.

Corporate Structure and Business

15. Freedom is a vertically integrated licensed producer of cannabis products based in Acheson, Alberta. The Company's business is primarily focused on the production of cannabis products, including dried flower, extracts, and pre-rolls, which is sold to provincial governments and other licensed producers located in Canada. Freedom holds licenses under the *Cannabis Act* (the "**Cannabis Act**") and is regulated by Health Canada. Freedom's registered office is located at 9827-279 Street in Acheson, Alberta (the "**Acheson Facility**").

16. As noted in the Potestio Affidavit, Freedom is a private corporation that was federally incorporated on January 27, 2017 and was extra-provincially registered in the province of

Alberta on May 17, 2017. Freedom has two operating subsidiaries, 2563138 Alberta Ltd. ("**256 Ltd**") and 2399751 Alberta Ltd. ("**239 Ltd**", and together with 256 Ltd, the "**Non-Applicant Stay Parties**").

17. The Proposed Monitor understands Freedom owns the majority of the outstanding shares of the Non-Applicant Stay Parties and these parties operate from the Acheson Facility. Moreover, the Proposed Monitor has been advised by Freedom that the Non-Applicant Stay Parties sell their cannabis products under the Health Canada Licenses (as defined herein) and are managed by Freedom as required by Health Canada.

18. Freedom is seeking to extend the Stay of Proceedings to the Non-Applicant Stay Parties due to the integration of their business with that of Freedom, as discussed later in this Report.

Acheson Facility

19. Freedom operates out of a 111,600 square foot indoor processing facility located in the Acheson Facility, which has been outfitted with cultivation, processing, extraction, research, and packaging capabilities. The Acheson Facility is the licensed site under the Health Canada Licenses (as defined herein).

20. The Acheson Facility is subject to a lease agreement dated November 23, 2017 between Freedom and Star Prebuilt Homes Ltd. (the "**Acheson Landlord**"), as amended from time to time (the "**Acheson Lease**"). As noted in the Potestio Affidavit, Freedom is currently in default of the terms of the Acheson Lease with an accrued liability of approximately $2.4 million as at August 1, 2024. The Proposed Monitor has been advised by the Applicant that the Acheson Landlord has been working with Freedom to address the defaults and has provided certain accommodations to Freedom, including accepting reduced rent payments under the Acheson Lease since April 2024.

Licenses

21. The Cannabis Act and applicable provincial legislation regulates the operations of the Applicant in Canada. The Proposed Monitor understands that the Applicant holds the

applicable licenses allowing it to produce, cultivate, process and distribute cannabis in the provinces of Alberta, Ontario, Saskatchewan, British Columbia, and Manitoba, and the territories of Yukon, Nunavut, and the Northwest Territories.

22. As detailed in the Potestio Affidavit, Freedom holds certain licenses from Health Canada (the "**Health Canada Licenses**") pursuant to the Cannabis Act which the Proposed Monitor understands permits the Applicant to undertake the following activities at the Acheson Facility: (i) standard cultivation activities; (ii) standard processing activities; (iii) activities relating to the sale of cannabis for medical purposes; and (iv) research activities, including possession and production of cannabis.

23. Freedom also holds a cannabis license issued by the Canada Revenue Agency ("**CRA**") pursuant to the *Excise Act, 2001* (the "**Excise Act**") which requires the Applicant to apply cannabis excise stamps to its cannabis products in accordance with the Excise Act (the "**Excise License**"). The Proposed Monitor understands that since January 2024, the CRA has renewed the Excise License on a month-to-month basis and the Excise License is set to expire on August 10, 2024.

Employees

24. As of August 5, 2024, the Applicant had approximately 97 employees, approximately nine of which are designated responsible persons or possess the security clearances required under the Cannabis Act.

25. The Proposed Monitor understands the Applicant's employees do not benefit from a company-backed pension plan, are not represented by a union and are not subject to a collective bargaining agreement.

Financial Position

26. The Applicant's unaudited and internal financial results for (i) the fiscal year ended December 31, 2023 ("**FY23**"), and (ii) the first seven (7) months of fiscal 2024 ("**YTD**") are summarized in the table below:

Freedom Cannabis Inc. Statement of Profit & Loss in C$000's, unaudited	FY23	YTD24
Sales	12,634	13,736
Excise Tax	(4,617)	(5,456)
Net Revenue	**8,017**	**8,280**
COGS	(9,638)	(10,845)
Gross Margin	**(1,621)**	**(2,565)**
Operating Expenses	(8,305)	(4,296)
Other Income / (Expense)	326	183
Net Income	**(9,599)**	**(6,679)**

27. As noted above, the Applicant experienced significant net losses totalling approximately \$9.6 million and \$6.7 million, in FY23 and YTD, respectively.

28. Based on the Applicant's internal balance sheet as at July 31, 2024, a copy of which is attached as Exhibit "C" to the Potestio Affidavit, the Applicant had total assets with a net book value of approximately \$45.0 million and total liabilities with a net book value of \$47.3 million, for a negative equity value (i.e. assets less liabilities) of approximately \$2.3 million. Moreover, the balance sheet reflected that Freedom had a negative cash balance of approximately \$16,000 as at July 31, 2024.

JLL Indebtedness

29. The Proposed Monitor has been advised that JLL is a secured lender to the Applicant and has provided financing to Freedom since 2019. As detailed in the Potestio Affidavit, JLL made an initial loan to Freedom in the amount of \$1.8 million in March 2019 pursuant to which Freedom granted a general security agreement dated March 6, 2019 in favour of JLL.

30. The Proposed Monitor has been advised by Freedom that JLL subsequently purchased the loans and security from other secured parties to Freedom, and advanced several additional loans to Freedom since 2019 to fund, among other things, payables, payroll, inventory purchases, payments to CRA, and general corporate and working capital requirements of Freedom. All of the loans made by JLL to Freedom are collectively referred to in this Report as the "**JLL Loans**".

31. As noted in the Potestio Affidavit, JLL and Freedom entered into forbearance agreements dated July 1, 2023 and December 31, 2023 (collectively, the "**Forbearance Agreements**"), under which JLL agreed to forbear from enforcing on the JLL Loans for additional consideration including, but not limited to: (i) the implementation of a 10% administration fee on each loan advanced by JLL to Freedom and (ii) an increase in the rate of interest on all JLL Loans to 15% per annum compounded monthly commencing January 1, 2023.

32. The Proposed Monitor has been advised by the Applicant that Freedom defaulted on the Forbearance Agreements and JLL is in a position to demand repayment of amounts owing under the JLL Loans and issue notices of intention to enforce security under s. 244 the *Bankruptcy and Insolvency Act*. Further, the Proposed Monitor understands JLL is not prepared to advance additional funds to the Applicant outside of a Court-supervised process.

33. The Proposed Monitor understands that the total outstanding indebtedness owed by Freedom to JLL amounted to approximately $17.3 million as at August 3, 2024.

34. JLL appears to have a first ranking general security interest in the Applicant's present and future personal property based solely on registrations against Freedom in the Alberta Personal Property Registry.

35. The Proposed Monitor, if appointed as Monitor, will instruct Blakes to prepare a security opinion on the validity and enforceability of JLL's security interest as against the Applicant promptly following its appointment, and provide its observations and conclusions regarding same in a subsequent report to the Court.

Potestio Loans

36. The Proposed Monitor has been advised that JohnFrank Potestio and Julie Potestio (the "**Potestios**") made loans to Freedom dating back to November 2019, comprising of promissory notes, shareholder loans and deferred wages/salary (collectively, the "**Potestio Loans**"). As of August 3, 2024, the total outstanding indebtedness under the Potestio Loans amounted to $3.9 million.

37. The Proposed Monitor notes the Potestios had not registered a financing statement in the Alberta Personal Property Registry in respect of the Potestio Loans, based on the PPSR search results as of July 31, 2024.

Convertible Debenture Holders

38. As noted in the Potestio Affidavit, Freedom issued convertible debentures to a number of parties (including JLL), in varying amounts, the majority of which were converted in December, 2021.

39. The Proposed Monitor understands that as at July 31, 2024 the outstanding liability under the convertible debentures, excluding JLL, was approximately $1.5 million.

Other Creditors

40. As noted in the Potestio Affidavit, the Applicant has a number of other creditors with registered security interests in the Alberta Personal Property Registry. The Proposed Monitor understands that the Applicant intends to serve and provide notice (albeit limited) of the Application to these parties.

41. Based on its books and records, the Applicant owed an estimated $10,000 to the CRA in respect of outstanding GST obligations.

42. The Proposed Monitor understands that the Applicant's unsecured liabilities as of August 3, 2024 totalled approximately $13.8 million, of which approximately $9.5 million was owed to CRA on account of unremitted excise duties owing by Freedom pursuant to the Excise Act. The Proposed Monitor understands the remaining amounts are owed to: (i) the Acheson Landlord pursuant to the Acheson Lease ($2.4 million), and (ii) trade creditors ($1.9 million), including $0.2 million owing to Health Canada in respect of 2023 annual license fees for the Health Canada Licenses for which Freedom entered into a payment instalment agreement.

43. As detailed in the Potestio Affidavit, Freedom has attempted to negotiate a resolution with CRA to repay the excise duty arrears over a period of time. However, the Proposed Monitor

understands from Freedom that no formal agreement has been reached with CRA as at the date of this Report.

44. The Proposed Monitor understands that since the beginning of 2024, CRA has commenced enforcement steps against Freedom's assets to collect on the outstanding excise duty arrears, including seizure of Freedom's bank accounts and garnishment of its accounts receivable through issuance of requirement to pay notices to various Freedom customers. The Proposed Monitor has been advised that these actions had a negative impact on Freedom's operations and liquidity, and its ability to meet its obligations in the ordinary course.

45. As noted in the Potestio Affidavit, on June 20, 2024, the CRA issued requirement to pay notices to various customers of Freedom (collectively, the "**June 2024 RTP Notices**") requiring such customers to send to CRA any money that would have been otherwise payable to Freedom, up to a certain amount specified in the June 2024 Notices. The Proposed Monitor understands the June 2024 RTP Notices have been withdrawn by the CRA.

46. Based on the Information received and reviewed to date, the Proposed Monitor is not aware of any arrears of employee related amounts, required remittances of employee withholdings, other than potentially accrued amounts since the date of the last payment/remittance, which the Proposed Monitor understands will be paid to employees in the normal course on the next payroll date. The Proposed Monitor intends to confirm the above following issuance of the Proposed Initial Order, if granted.

VI. CASH FLOW FORECAST

47. The Applicant, in consultation with the Proposed Monitor, has prepared the Cash Flow Forecast for the purpose of projecting the estimated liquidity needs of the Applicant during the Forecast Period. A copy of the Cash Flow Forecast, accompanying notes and a report containing prescribed representations regarding the preparation of the Cash Flow Forecast are attached hereto as **Appendix "A"**.

48. The Cash Flow Forecast has been prepared by the Applicant on a conservative basis using probable and hypothetical assumptions set out in the notes to the Cash Flow Forecast.

49. As at date of this Report, the Applicant did not have any cash on hand. Accordingly, Freedom will be required to draw on the proposed DIP Facility immediately upon issuance of the Proposed Initial Order in order to have sufficient funds to satisfy its projected uses of cash to the Comeback Hearing. Beyond the date of the Comeback Hearing, the Applicant will also require additional amounts from the DIP Facility to continue to operate and run the contemplated SISP.

50. Forecast operating cash receipts over the Forecast Period total approximately $8 million related to the collection of accounts receivable, including from future sales.

51. Forecast operating disbursements over the Forecast Period total approximately $9.2 million and primarily consist of production and operating costs ($4.4 million), including $0.75 million for deposits and critical pre-filing payments as per the Proposed Initial Order, employee costs ($1.3 million), rent ($0.4 million), excise duties for accrued or amounts owing after the date of the Proposed Initial Order ($1.8 million), sales taxes in accordance with the Proposed Initial Order ($0.6 million), professional fees ($0.7 million) and the DIP commitment fee ($0.06 million).

52. The Cash Flow Forecast assumes that the interest expense on the outstanding balances under the JLL Loans will not be paid over the Forecast Period, until receipt of an opinion from Blakes that JLL's security interest is valid and enforceable.

53. Net operating cash flow is forecast to be approximately $1.2 million over the Forecast Period, but projected to be negative $0.8 million up to the date of the Comeback Hearing (i.e. up to August 18, 2024). Beyond the Forecast Period, the Applicant forecasts it will require additional amounts from the DIP Facility to continue to operate and successfully complete the contemplated SISP.

54. As evidenced by the Cash Flow Forecast, without access to interim financing, the Applicant lacks sufficient liquidity to maintain operations. The DIP Facility will provide the

Applicant with sufficient funding during the Forecast Period to ensure continued operations during the CCAA proceedings.

55. The Proposed Monitor notes that the Cash Flow Forecast has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

VII. PROPOSED DIP FACILITY

56. As noted above, based on the Cash Flow Forecast, the Applicant requires urgent interim financing in order to maintain sufficient liquidity to continue operations during these CCAA proceedings.

57. Under the DIP Term Sheet, and subject to this Court's approval, JLL (in such capacity, the "**DIP Lender**") has agreed to extend the DIP Facility to the Applicant in the maximum principal amount of $3.0 million. JLL's willingness to provide such financing is predicated on the Court granting the Proposed Initial Order approving the DIP Facility and granting the DIP Lender's Charge.

58. Principal terms of the DIP Term Sheet, a copy of which is attached as Exhibit "M" to the Potestio Affidavit, include, without limitation, the following[1]:

Basic Provisions	Description
Maximum Availability	$3,000,000
Borrower	Freedom Cannabis Inc.
Interest rate	15% per annum on the outstanding indebtedness which will accrue and become payable on the Maturity Date.

[1] Terms used but not otherwise defined in this section have the meaning ascribed to them in the DIP Term Sheet. The following summary of the DIP Term Sheet is provided for illustrative purposes and convenience only – parties should review the DIP Term Sheet attached to the Potestio Affidavit for the terms of same.

Additional consideration	Commitment fee of $60,000 which represents 2% of the Maximum Availability (the "**Commitment Fee**"), which shall be deemed fully earned upon Court approval of the DIP Facility and payable on the Maturity Date.
Expenses	Applicant shall pay all reasonable fees and expenses of the DIP Lender, including of outside counsel, incurred by the DIP Lender in connection with the CCAA proceedings, payable on the Maturity Date.
Maturity date	Earliest of: (a) December 31, 2024; (b) the closing of a transaction for the sale of substantially all of the Applicant's assets, business or shares; (c) the date on which the CCAA Proceeding is terminated for any reason, including if the Applicant becomes bankrupt, whether voluntary or involuntary; and (d) a demand being made upon the occurrence of an Event of Default (as defined herein).
Security	DIP Facility will be secured by the DIP Lender's Charge on all present and after-acquired personal and real, tangible or intangible property of the Applicant (the "**Property**"), granted in favour of the DIP Lender for all advances made to the Applicant subsequent to the date of the Proposed Initial Order, subject only to the Administration Charge and the Directors' Charge.
Conditions Precedent to DIP Advances	Conditions precedent to DIP Advances include but are not limited to: (a) written acceptance of this DIP Term Sheet by the Applicant; (b) the Court shall issue the Proposed Initial Order creating and approving the DIP Term Sheet and the DIP Lender's Charge, among other things, and authorizing an initial DIP Advance in a sum not to exceed $1,000,000; (c) the Court shall issue the Amended and Restated Initial Order at the Comeback Hearing which, among other things, will approve and authorize a subsequent DIP Advance of up to $2,000,000; and (d) the DIP Lender shall, acting reasonably, be satisfied that the Applicant has complied with and are continuing to comply, in all material aspects, with all applicable laws, regulations and policies in relation to their business other than as may be permitted by an Order of the Court in the CCAA Proceeding, provided that the issuance of such Order does not result in the occurrence of an Event of Default.
Events of Default	A number of Events of Default, including, but not limited to: (a) the Applicant's failure to pay any amount due hereunder when due and payable; (b) the seeking or support by the Applicant of any Court order (in the CCAA Proceedings or otherwise) that is adverse or potentially adverse to the interests of the DIP Lender; (c) any material adverse change in: (i) the business operations, or financial condition of the Applicant or its affiliates; (ii) the Property of the Applicant; and (iii) the DIP Lender's Charge, including its priority; (iv) the ability of the Applicant to perform its obligations under this DIP Term Sheet or to any person under any material contract; (v) the DIP Lender's ability to enforce any of its rights or remedies against the Property, or for the obligations of the Applicant to be satisfied from the realization thereof;

	and (d) the commencement of any claim, action, proceedings, application, motion, defense or other contested matter (collectively, a "**Claim**") that is not being diligently contested by the Applicant, the purposes of which is to seek or the result of which would be to obtain any order, judgement, determination, declaration or similar relief: (i) invalidating, setting aside, avoiding, or subordinating the obligations of the Applicant under the DIP Facility, the DIP Charge or its priority, (ii) for monetary, injunctive or other relief against the DIP Lender or the Property, or (iii) preventing, hindering or otherwise delaying the exercise by the DIP Lender of any of its rights and remedies hereunder, pursuant to the Proposed Initial Order, the ARIO or under applicable law, or the enforcement or realization by the DIP Lender against any of its collateral, provided that if the Applicant is unsuccessful in contesting any such Claim, that shall automatically constitute an Event of Default.

59. Based on the Cash Flow Forecast, the amount that would be required to be drawn in the first ten days is $1.0 million (the "**Initial Advance**"), which would be used, together with cash flows from operations ($0.9 million), to fund the following expenses:

(a) Operating costs ($1.1 million), primarily related to operating costs, post-filing deposits and payments to certain critical vendors in accordance with the Proposed Initial Order;.

(b) Salary and Wages ($0.2 million), related to payment of salary and wages for employees of Freedom;

(c) Professional Fees ($0.2 million), primarily to related to the fees and disbursements of the Applicant's corporate and insolvency counsel, and the Proposed Monitor and its counsel, incurred in connection with the Application and Comeback Hearing; and

(d) Rent ($0.1 million).

60. In order to provide Freedom with the liquidity required to fund the operations during the CCAA proceedings, the Applicant is seeking the approval of the DIP Term Sheet and that, until the Comeback Hearing, the Respondents be permitted to draw no more than $1.0 million to fund the expenditures noted above in the first ten days, subject to compliance

with the terms of the DIP Term Sheet. The amounts are contemplated to be funded under and secured by the DIP Lender's Charge.

61. The Proposed Monitor notes that the Initial Advance represents 33% of the total availability under the DIP Facility. The Cash Flow Forecast has been reviewed by the DIP Lender, which consents to the proposed Initial Advance amount and the use of proceeds to sustain operations of the Applicant until the Comeback Hearing.

62. The Proposed Monitor believes that the terms of the DIP Term Sheet are reasonable in the circumstances, and supports the Applicant’s request for the approval of same. When reviewing the reasonableness of the DIP Term Sheet, the Proposed Monitor considered the factors set out in Section 11.2 of the CCAA and notes the following:

(a) based on the Information available to the Proposed Monitor, the Applicant has a critical and immediate need for interim financing, in the amount of the Initial Advance. Without access to the DIP Facility, the Applicant will be unable to maintain their operations and commence their restructuring process. The DIP Facility and the DIP Lender's Charge will allow the Applicant to continue to operate, including funding payroll, which is immediately required;

(b) the Proposed Monitor believes that approval of the DIP Facility is in the best interests of the Applicant’s stakeholders and will advance the Applicant’s restructuring process. The Proposed Monitor does not believe that creditors of the Applicant will be materially prejudiced as a result of the approval of the DIP Facility – to the contrary, they should benefit from it as it will allow the business to continue to operate, which will enhance value versus the alternative, which is the discontinuation of operations and the potential liquidation of the Applicant’s assets;

(c) on the Application for the Proposed Initial Order, the Applicant is seeking approval to borrow, and secure only the amounts funded under the Initial Advance, which are those amounts required to sustain the business and the CCAA proceedings until the Comeback Hearing; and

(d) the Proposed Monitor compared the terms of the DIP Facility to other DIP facilities approved by Canadian courts in CCAA proceedings for Cannabis companies commenced since March, 2022. Based on the Proposed Monitor's review, the cost of the proposed DIP Facility is within the ranges of similar facilities approved by the Court and other Canadian courts in CCAA proceedings, a comparison of which is attached hereto as **Appendix "B"**.

VIII. PROPOSED COURT ORDERED CHARGES

63. The Proposed Initial Order provides for three priority charges (collectively the "**Proposed Charges**") on the current and future assets, undertakings and properties of the Debtors wherever located, including all proceeds thereof, that rank in the following order:

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

(b) Second, the Directors' Charge (to a maximum of $450,000); and

(c) Third, the DIP Lender's Charge (to a maximum principal amount of $1.0 million).

64. Each of the Proposed Charges are described in more detail below.

Administration Charge

65. The Proposed Initial Order provides a charge for the ten-day period prior to the Comeback Hearing on all Property of the Debtors in favour of the Proposed Monitor, counsel to the Proposed Monitor, and the Applicant's corporate and insolvency counsels (collectively, the "**Insolvency Professionals**"), as security for their respective fees and disbursements incurred in respect of the Application in the aggregate amount of $250,000 (the "**Administration Charge**").

66. The Proposed Monitor is of the view that the Administration Charge is reasonable and appropriate in the circumstances, having considered, among other things:

(a) the work completed to date in preparation for these CCAA proceedings by the Insolvency Professionals has been material and limited or no retainers or payments have been made to date;

(b) the size of the court-ordered charge is comparable to other insolvency proceedings, and has been calculated in consultation with the Proposed Monitor, taking into account the expected future professional costs and cadence of payment of invoices; and

(c) the amount of the Administration Charge is limited to an amount necessary to ensure the beneficiaries of the Administration Charge have adequate protection to the date of the Comeback Hearing.

67. The Proposed Monitor understands JLL has consented to the Administration Charge.

Directors' Charge

68. The Proposed Initial Order provides for a charge in the maximum amount of $450,000 to secure the Applicant's indemnity obligations to the current directors and officers of the Applicant (the "**Directors and Officers**") against obligations and liabilities that they may incur as directors or officers of the Applicant after the commencement of these CCAA proceedings (the "**Directors' Charge**").

69. The Directors and Officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent such coverage is insufficient to pay an indemnified amount. As per the Potestio Affidavit, the Proposed Monitor understands that the Applicant maintains directors' and officers' liability insurance but that these policies may have various exceptions, exclusions and carve-outs, and may not provide sufficient coverage against potential liability that may be incurred during potential CCAA proceedings.

70. The amount of the Directors' Charge has been calculated by the Applicant, in consultation with the Proposed Monitor, taking into consideration excise duties, sales taxes, employee payroll and related expenses (including source deductions), as well as other employment

related liabilities, that attract potential liability for the Directors and Officers during the period prior to the date of the Comeback Hearing.

71. The Proposed Monitor has been informed that due to the potential for personal liability, the Directors' Charge is crucial to the continued involvement of the Directors and Officers during the CCAA proceedings. As the Applicant will require the participation and experience of the Directors and Officers to facilitate the successful completion of the CCAA proceedings, including participating in the SISP, the Proposed Monitor believes that the Directors' Charge (both the amount and the priority ranking) is required and reasonable in the circumstances.

72. The Proposed Monitor understands JLL has also consented to the Directors' Charge.

DIP Lender's Charge

73. As described above, JLL has agreed to provide a DIP Facility in the maximum amount of $3.0 million to fund the Applicant's working capital and for general corporate purposes, including legal and other professional costs associated with these CCAA proceedings. For the short-term forecast period up to the Comeback Hearing, the Applicant is expected to require the Initial Advance to make all necessary payments. The Proposed Monitor understands that JLL is only prepared to provide the DIP Facility if all advances thereunder are secured by a Court-approved priority charge on the Property.

74. The Proposed Initial Order provides a charge for the ten-day period prior to the Comeback Hearing on all Property of the Applicant in favour of JLL in the aggregate amount of $1.0 million (the "**DIP Lender's Charge**"), which the Proposed Monitor understands the Applicant will seek to increase to $3.0 million at the Comeback Hearing.

75. The purpose of the proposed DIP Lender's Charge is to secure the DIP Facility and provide JLL with priority over all other liens on the Property of the Applicant other than the Administration Charge and the Directors' Charge.

76. The Proposed Monitor is of the view that the amount of the DIP Lender's Charge is reasonable in the circumstances and required as the Applicant urgently needs liquidity to

operate during these CCAA proceedings. The amount of the DIP Lender's Charge is limited to an amount necessary to ensure JLL has adequate security to the date of the Comeback Hearing and is supported by the Cash Flow Forecast.

IX. OTHER RELIEF

Payment of Pre-Filing Amounts

77. The Applicant is seeking a provision in the Proposed Initial Order providing them with the authority, but not the obligation, to make payments to certain suppliers who are critical to the Applicant's ongoing business operations in respect of obligations arising prior to the commencement of these CCAA proceedings, up to a maximum of $500,000 in the aggregate.

78. As noted in the Potestio Affidavit, the Applicant relies on certain third-party vendors and service providers to provide ongoing goods and/or services in order to ensure Freedom's business and operations continue as a going concern.

79. The Proposed Monitor understands that certain of these suppliers are critical to the Applicant's business and are either small or very specialized companies, which are dependent on continuous payment from the Applicant, such that it may cause financial harm to require them to comply with the terms of the Proposed Initial Order, including the requirement to continue to provide goods and/or services without being paid pre-filing amounts.

80. If key contractual counterparties are not able to continue supply arrangements with the Applicant or otherwise interrupt the supply of goods and/or services because they are unable to continue to provide their services to the Applicant without payment of pre-filing amounts, such supply interruption will prevent the Applicant from operating in the ordinary course and could negatively impact the going concern value and goodwill of the business.

81. It is critical that the Applicant maintains and continues operations in the normal course to preserve customer relationships, support and goodwill in order to fully maximize the SISP for the benefit of all stakeholders.

82. Pursuant to the Proposed Initial Order, the Applicant shall only be entitled to pay pre-filing amounts if these payments are determined, by the Applicant, with the consent of the Monitor, to be necessary to the continued operation of the business or essential for the preservation of value for the SISP.

83. The Proposed Monitor recognizes the importance of maintaining stability with respect to Applicant's ongoing business and operations. Accordingly, the Proposed Monitor is of the view that the relief being requested by the Applicant with respect to the payment of certain pre-filing amounts is reasonable in the circumstances.

84. The Proposed Monitor intends to work closely with the Applicant to ensure that any payments to suppliers in respect of pre-filing obligations are limited to the extent reasonably necessary.

Preservation of Licenses

85. The Applicant seeks to have the Health Canada Licenses and the Excise License preserved and maintained during the Stay of Proceedings, which will preserve its ability to sell cannabis products in the ordinary course under those licenses.

<u>Health Canada Licenses</u>

86. As detailed in the Potestio Affidavit, Freedom holds certain licenses with Health Canada which permits it to undertake, among other things: (a) standard cultivation activities; (b) standard processing activities; (c) activities relating to the sale of cannabis for medical purposes; and (d) research activities, including possession and production of cannabis.

87. While there is no immediate concern that the Health Canada Licenses will expire during the Stay of Proceedings, the term of this license must continue for the duration of the CCAA proceedings to ensure the Applicant continues to operate as a going concern.

<u>Excise License</u>

88. Cannabis producers in Canada who are packaging cannabis products for sale are required to affix a cannabis excise stamp issued by the CRA prior to delivery to a purchaser. The

cannabis excise stamp indicates that the cannabis product was intended for the excise duty-paid market and that the excise duty has been paid.

89. As noted above, Freedom holds an Excise License with the CRA with respect to excise stamps, which license are set to expire imminently on August 10, 2024. If this license is permitted to expire, or to be cancelled or revoked, the Applicant would not be able to use its existing stock of cannabis excise stamps or continue obtaining an ongoing supply of cannabis excise stamps, which would severely impair its ability to operate as a going concern.

90. The Proposed Monitor understands that the Applicant intends to serve and provide notice (albeit limited) of the Application to Health Canada and the CRA of the relief sought in the Proposed Initial Order in respect of the Health Canada License and the Excise License.

91. The Proposed Monitor is of the view that the relief sought by the Applicant is reasonable in the circumstances, and not contrary to s.11.1(2) of the CCAA.

Non-Applicant Stay Parties

92. The Applicant is seeking to extend the Stay of Proceedings, and other benefits provided for in the Proposed Initial Order, to the Non-Applicant Stay Parties. The extension of the stay of proceedings to the Non-Applicant Stay Parties is intended to prevent uncoordinated realization and enforcement attempts from being made, and thereby preventing immediate losses of value for the Freedom entities and its stakeholders.

93. As noted above, the Non-Applicant Stay Parties operate under the Health Canada Licenses and under the management of Freedom. Given that the Non-Applicant Stay Parties are integrated with the Applicant, they will benefit from the Stay of Proceedings and the CCAA Proceedings, which will maintain going concern operations and will maximize value for the entirety of the Freedom entities.

94. The Proposed Monitor understands that courts have, on certain occasions, found it just and reasonable to extend the benefit of a stay of proceedings to non-applicants where such

parties are integrally and closely interrelated to the applicant's business, in order to ensure that the purposes of the CCAA can be achieved.

95. The Proposed Monitor is of the view that the relief sought by the Applicant is reasonable in the circumstances, as the business and operations of the Non-Applicant Stay Parties are integrated with the Applicant and a stay in respect of them will likely maximize value of the Applicant for the benefit of all its stakeholders.

X. CASH MANAGEMENT SYSTEM

96. As outlined in the Potestio Affidavit, the Applicant has an integrated cash management system (the "**Cash Management System**"), which is critical to its ongoing efficient operations. In the Proposed Monitor's view, the ongoing operation of the Cash Management System will not be prejudicial to any creditor or other stakeholder, and ought to be maintained during the CCAA proceedings.

XI. CONCLUSIONS

97. For the reasons set out in this Report, the Proposed Monitor is of the view that the relief requested by the Applicant is both appropriate and reasonable. As noted above, the Applicant has significant liquidity constraints and the need to maintain operations, employees and customer confidence is critical, and the relief being requested is necessary to allow the Company the breathing room needed to advance the Applicant's restructuring or sale efforts.

98. The Proposed Monitor is also of the view that granting the relief requested will provide the Applicant the best opportunity to undertake a going concern sale or other restructuring under the CCAA, thereby preserving value for the benefit of the Applicant's stakeholders.

All of which is respectfully submitted this 6th day of August 2024.

KPMG Inc.
In its capacity as Proposed Monitor of
Freedom Cannabis Inc.
And not in its personal or corporate capacity

Per:

____
Pritesh Patel
CIRP, LIT
Senior Vice President

____
Tim Montgomery
CIRP, LIT
Vice President

Appendix “B”

Court File No.:

COURT OF KING'S BENCH OF ALBERTA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C.1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF FREEDOM CANNABIS INC.

(collectively the "Applicant" or the "Debtor")

MONITOR'S REPORT ON CASH FLOW STATEMENT
(paragraph 23(1)(b) of the CCAA)

The attached statement of projected cash flow of the Debtors prepared as of the 5th day of August 2024, consisting of the period from August 6, 2024 to November 3, 2024 (the "**Cash Flow Forecast**"), has been prepared by management of the Debtor, in consultation with the Monitor for the purpose described in Note 1, using the probable and hypothetical assumptions set out in the notes to the Cash Flow Forecast.

Our review and consultation consisted of inquiries, analytical procedures and discussions related to information supplied by management and employees of the Debtor. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. We have also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the Cash Flow Forecast.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

a) the hypothetical assumptions are not consistent with the purpose of the Cash Flow Forecast;
b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Debtor or do not provide a reasonable basis for the Cash Flow Forecast, given the hypothetical assumptions; or
c) the Cash Flow Forecast does not reflect the probable and hypothetical assumptions.

Since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow Forecast will be achieved.

The Cash Flow Forecast has been prepared solely for the purpose described in the notes thereto and readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto, in the Province of Ontario, this 6th day of August 2024.

KPMG Inc.
In its capacity as Proposed Monitor of
Freedom Cannabis Inc.
And not in its personal or corporate capacity

____

Pritesh Patel, CIRP, LIT
Senior Vice President

Court File No.:

COURT OF KING'S BENCH OF ALBERTA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C.1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF FREEDOM CANNABIS INC.

(collectively the "Applicant" or the "Debtor")

MANAGEMENT'S REPORT ON CASH FLOW STATEMENT
(paragraph 10(2)(b) of the CCAA)

The management of the Debtor has developed the assumptions and prepared the attached statement of projected cash flow as of the 5th day of August 2024, consisting of the period from August 6, 2024, to November 3, 2024 (the '**Cash Flow Forecast**").

The hypothetical assumptions are reasonable and consistent with the purpose of the Cash Flow Forecast described in the notes therein, and the probable assumptions are suitably supported and consistent with the plans of the Debtor and provide a reasonable basis for the Cash Flow Forecast. All such assumptions are disclosed in the notes therein.

Since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The Cash Flow Forecast has been prepared solely for the purpose described in the notes therein, using the probable and hypothetical assumptions set out therein. Consequently, readers are cautioned that the Cash Flow Forecast may not be appropriate for other purposes.

Dated at Edmonton, in the Province of Alberta, this 6th day of August 2024.

Freedom Cannabis Inc.

JohnFrank Potestio
Chief Executive Officer

13-Week Cash Flow Forecast
Notes and Summary of Assumptions

In the matter of a Plan of Compromise or Arrangement of Freedom Cannabis Inc. (collectively the "Applicant" or the "Debtor")

Disclaimer

Since the Cash Flow Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Cash Flow Forecast period will vary from the Cash Flow Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty, or other assurance that any of the estimates, forecasts or projections will be realized.

The Cash Flow Forecast is presented in Canadian dollars. All defined terms that are not otherwise defined herein are to have the same meaning ascribed to them in the report of the Proposed Monitor dated August 6, 2024.

Note 1 Purpose of the Cash Flow Forecast

The purpose of the Cash Flow Forecast is to present the estimated cash receipts and disbursements of the Applicants for the period from August 6, 2024 to November 3, 2024 (the "**Forecast Period**"). The Cash Flow Forecast has been prepared by the Applicant, in consultation with the Monitor. Readers are cautioned that this information may not be appropriate or relied upon for any other purpose.

Note 2 Accounts Receivable

Current accounts receivable is forecast to be collected based on the payment terms for individual customers.

Note 3 Sales

Sales are based on the Applicant's latest sales forecast by customer and forecast to be collected based on the payment terms for individual customers.

Note 4 COGS

COGS include, but are not limited to, inventory purchases and production costs, including critical vendor payments. Supplier terms are assumed to be cash on delivery.

Note 5 Salary and Wages

Payroll expenses include salaries and wages and payroll taxes and remittances paid to the Applicants' employees. Payroll expenses are forecasted based on current headcount levels and are paid bi-weekly.

Note 6 **Professional Fees**

Includes professional fees of the Monitor, counsel to the Monitor, and counsel to the Applicant in connection with the CCAA proceedings.

Note 7 **Rent**

Post filing rent at the Company's leased facility, including a pro-rated amount for August.

Note 8 **Operating expenses**

Operating expenses include post-filing amounts owing to Health Canada, insurance and utilities.

Note 9 **Excise Taxes**

Excise Taxes are accrued or collected amounts after the date of the Proposed Initial Order.

Note 10 **Sales Taxes**

Sales Taxes are accrued or collected amounts after the date of the Proposed Initial Order, or where such Sales Taxes were accrued or collected prior to date of the Proposed Initial Order but not required to be remitted until on or after the date of the Proposed Initial Order.

Note 11 **DIP Financing**

The Cash Flow Forecast reflects advances under the DIP Facility in the Forecast period of $1.5 million. The interest rate on the principal outstanding amount of the DIP advances is 15% and is accrued. DIP fees assumed to paid in the Forecast Period are $60,000 as per the terms of the DIP Term Sheet.

Freedom Cannabis Inc.
13-Week Cash Flow Projections (in $CAD)

Freedom Cannabis Inc. 13-Week Cash Flow In C$; unaudited	Forecast 1	Forecast 2	Forecast 3	Forecast 4	Forecast 5	Forecast 6	Forecast 7	Forecast 8	Forecast 9	Forecast 10	Forecast 11	Forecast 12	Forecast 13	13-Week Total
Week Ending	11-Aug-24	18-Aug-24	25-Aug-24	1-Sep-24	8-Sep-24	15-Sep-24	22-Sep-24	29-Sep-24	6-Oct-24	13-Oct-24	20-Oct-24	27-Oct-24	3-Nov-24	
Receipts														
Accounts Receivable	241,327	625,181	135,520	281,167	200,299	178,938	108,920	38,367	81,756	-	-	-	-	**1,891,475**
Sales Revenue	-	-	392,000	392,000	556,805	556,805	627,343	598,468	575,215	575,215	560,267	611,717	640,592	**6,086,427**
Total Receipts	**241,327**	**625,181**	**527,520**	**673,167**	**757,104**	**735,743**	**736,262**	**636,835**	**656,971**	**575,215**	**560,267**	**611,717**	**640,592**	7,977,902
Disbursements														
COGS	436,050	536,050	336,050	186,050	197,096	197,096	197,096	197,096	197,096	291,984	291,984	291,984	291,984	**3,647,614**
Salary & Wages	181,342	-	181,342	-	181,342	-	181,342	-	181,342	-	181,342	-	181,342	**1,269,393**
Professional Fees	-	226,289	-	282,789	-	56,789	-	56,789	-	56,789	-	56,789	-	**736,233**
Rent	74,194	-	-	100,000	-	-	-	-	100,000	-	-	-	100,000	**374,194**
Operating Expenses	61,866	61,866	61,866	123,025	30,277	30,277	30,277	30,277	91,436	31,284	31,284	31,284	92,443	**707,465**
Excise Tax	-	-	-	-	-	-	-	-	711,529	-	-	-	1,054,738	**1,766,266**
Sales Tax	-	-	-	211,104	-	-	-	-	201,533	-	-	-	215,424	**628,062**
DIP Commitment Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Disbursements	**753,451**	**824,205**	**579,258**	**902,968**	**408,715**	**284,163**	**408,715**	**284,163**	**1,482,936**	**380,057**	**504,610**	**380,057**	**1,935,930**	9,129,226
Net Operating Cash Flow	**(512,124)**	**(199,024)**	**(51,737)**	**(229,800)**	**348,388**	**451,580**	**327,547**	**352,673**	**(825,965)**	**195,158**	**55,657**	**231,660**	**(1,295,338)**	**(1,151,325)**
Opening Cash	-	487,876	288,852	237,115	507,314	855,703	1,307,282	1,634,829	1,987,502	1,161,537	1,356,695	1,412,352	1,644,013	-
Net Cash Flow	(512,124)	(199,024)	(51,737)	(229,800)	348,388	451,580	327,547	352,673	(825,965)	195,158	55,657	231,660	(1,295,338)	**(1,151,325)**
DIP funding	1,000,000	-	-	500,000	-	-	-	-	-	-	-	-	-	**1,500,000**
Ending Cash	**487,876**	**288,852**	**237,115**	**507,314**	**855,703**	**1,307,282**	**1,634,829**	**1,987,502**	**1,161,537**	**1,356,695**	**1,412,352**	**1,644,013**	**348,675**	**348,675**

JohnFrank Potestio
Chief Executive Officer