

**Court File No.: CV-24-00717664-00CL**

**HERITAGE CANNABIS HOLDINGS CORP., 1005477 B.C. LTD.,  
HERITAGE CANNABIS WEST CORPORATION, MAINSTRAIN  
MARKET LTD., HERITAGE CANNABIS EAST CORPORATION,  
PUREFARMA SOLUTIONS INC., 333 JARVIS REALTY INC., 5450  
REALTY INC., HERITAGE CANNABIS EXCHANGE CORP., AND  
PREMIUM 5 LTD.**

**THIRD REPORT OF KPMG INC.,  
IN ITS CAPACITY AS MONITOR**

**August 22, 2024**

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Court File No.: CV-24-00717664-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

**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  
HERITAGE CANNABIS HOLDINGS CORP., 1005477 B.C. LTD., HERITAGE CANNABIS  
WEST CORPORATION, MAINSTRAIN MARKET LTD., HERITAGE CANNABIS EAST  
CORPORATION, PUREFARMA SOLUTIONS INC., 333 JARVIS REALTY INC., 5450 REALTY  
INC., HERITAGE CANNABIS EXCHANGE CORP., AND PREMIUM 5 LTD.**

**THIRD REPORT OF KPMG INC.  
IN ITS CAPACITY AS MONITOR**

**August 22, 2024**

## I. INTRODUCTION

1. On April 2, 2024 (the “**Filing Date**”), the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) issued an order (the “**Initial Order**”) granting Heritage Cannabis Holdings Corp. (“**Heritage**”), 1005477 B.C. Ltd. (“**1005**”), Mainstrain Market Ltd. (“**Mainstrain**”), Purefarma Solutions Inc. (“**Purefarma**”), 333 Jarvis Realty Inc. (“**333**”), 5450 Realty Inc. (“**5450**”), Premium 5 Ltd. (“**Premium**”), Heritage Cannabis Exchange Corp. (“**HCEC**”), Heritage Cannabis East Corporation (formerly CannaCure Corporation) (“**Heritage East**”), and Heritage Cannabis West Corporation (formerly Voyage Cannabis Corp.) (“**Heritage West**” and collectively, the “**Applicants**”) protection pursuant to the *Companies’ Creditors Arrangement Act* (the “**CCAA**”) and appointing KPMG Inc. (“**KPMG**”) as Monitor of the Applicants in the CCAA proceedings (in such capacity, the “**Monitor**”). The Initial Order provided a stay of proceedings in respect of the Applicants, and certain direct and indirect subsidiaries of the Applicants in the U.S., to and including April 12, 2024.
2. On April 11, 2024, the Court issued an Amended and Restated Initial Order (the “**ARIO**”) that, among other things:
  - (a) approved the terms of an interim senior secured, super-priority financing facility (the “**DIP Facility**”) provided by BJK Holdings Ltd. (“**BJK**”) to the Applicants in order to finance their working capital requirements and other general corporate purposes and restructuring costs, pursuant to a DIP facility term sheet dated April 10, 2024 (the “**DIP Term Sheet**”);
  - (b) granted a charge to secure the obligations owing by the Applicants under the DIP Term Sheet (the “**DIP Lender’s Charge**”); and
  - (c) extended the stay of proceedings in respect of the Applicants, and certain direct and indirect subsidiaries of the Applicants in the U.S., to and including June 30, 2024.
3. Also on April 11, 2024, the Court granted an order (the “**SISP Order**”) that, among other things:

- (a) approved the stalking horse subscription agreement dated April 10, 2024 (the “**Stalking Horse Agreement**”) among Heritage and Heritage West, as vendors, BJK, and HAB Cann Holdings Ltd. (“**HAB Cann**”), as purchaser; and
  - (b) approved the sale and investment solicitation process (the “**SISP**”), in which the Stalking Horse Agreement served as the “Stalking Horse Bid”.
- 4. The Stalking Horse Bid was determined to be the successful bid in the SISP.
- 5. On June 17, 2024, the parties entered into the amended and restated stalking horse subscription agreement dated June 17, 2024 (the “**Amended and Restated Stalking Horse Agreement**”) among Heritage, Heritage East and Heritage West, as vendors (the “**Vendors**”), HAB Cann, as purchaser, and BJK, and the transactions contemplated thereunder (the “**Transactions**”).
- 6. On June 26, 2024, the Court granted the following orders:
  - (a) an Approval and Reverse Vesting Order (the “**ARVO**”) that, among other things, approved the Transactions contemplated by the Amended and Restated Stalking Horse Agreement; and
  - (b) an order (the “**Ancillary Relief Order**”) that, among other things:
    - i. authorized and empowered the Monitor to exercise certain enhanced powers to facilitate the wind-down of CCAA proceedings (the “**Enhanced Powers**”), following the closing of the Transactions and delivery of a certificate by the Monitor attesting that the Transactions have been completed (the “**Monitor’s Closing Certificate**”);
    - ii. approved the extension of the term of the DIP Term Sheet to August 30, 2024;
    - iii. approved the Pre-Filing Report and the First Report (each as defined herein), and the Monitor’s activities and conduct described therein; and

- iv. extended the stay of proceedings in respect of the Applicants, and certain direct and indirect subsidiaries of the Applicants in the U.S., to and including August 30, 2024 (the “**Stay Period**”).
- 7. To date, KPMG, in its capacity as Proposed Monitor and Monitor, has previously provided this Court with three reports dated April 2, 2024 (the “**Pre-Filing Report**”), April 10, 2024 and June 21, 2024 (the “**Second Report**”) that contained information on, *inter alia*, background information in respect of the Applicants, the DIP Term Sheet, the Stalking Horse Agreement, the results of the SISP and the Transactions.
- 8. Copies of materials and documents filed in connection with these CCAA proceedings are available on the Monitor’s website at <https://kpmg.com/ca/heritage> (the “**Case Website**”) In addition, KPMG has arranged for a toll-free hotline (1-833-668-2870) and an email address [heritage@kpmg.ca](mailto:heritage@kpmg.ca) through which creditors of the Applicants or other interested parties can make inquires related to the CCAA proceedings.

## **II. PURPOSE OF REPORT**

- 9. The purpose of this report (the “**Third Report**”) is to provide the Court with information pertaining to:
  - (a) an overview of the activities of the Applicants and the Monitor since the date of the Second Report;
  - (b) the Applicants’ actual receipts and disbursements for the period from June 10, 2024 to August 16, 2024 (the “**Reporting Period**”), including a comparison of actual to forecast results;
  - (c) the cash flow projections for the Applicants (the “**Updated Cash Flow Forecast**”) for the period from August 17, 2024 to September 27, 2024 (the “**Forecast Period**”);
  - (d) the recommendation by the Monitor that this Court make an order (the “**Stay Extension Order**”), among other things, extending the Stay Period to and including September 27, 2024.

### III. TERMS OF REFERENCE

10. In preparing this Third Report, KPMG has relied solely on information and documents provided to it by the Applicants and their respective advisors, including unaudited, draft and/or internal financial information, financial projections prepared by the Applicants, discussions with management of the Applicants, and the affidavit of the Applicants' executive (collectively, the "**Information**"). In accordance with industry practice, except as otherwise described in the Third 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.
11. Capitalized terms used but not defined in the Third Report are defined in the Affidavit of Mr. David Schwede sworn August 21, 2024 (the "**August 21 Schwede Affidavit**"), filed by the Applicants as part of its materials in support of the Stay Extension Order. The Third Report should be read in conjunction with the August 21 Schwede Affidavit, as certain information contained in the August 21 Schwede Affidavit has not been included herein in order to avoid unnecessary duplication.
12. Future orientated financial information contained in the Updated Cash Flow Forecast is based on the Applicants' 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 Monitor expresses no assurance as to whether the Updated Cash Flow Forecast will be achieved.
13. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

#### IV. ACTIVITIES OF THE APPLICANTS

14. Since the date of the Second Report, the Applicants, with the assistance of the Monitor, have been managing their operations in the normal course. As outlined in the August 21 Schwede Affidavit, the activities of the Applicants have included:
- (a) communicating with various stakeholders, including trade creditors, landlords, customers, Health Canada, the Canada Revenue Agency (“CRA”), employees, and other interested parties, regarding various matters relating to the Applicants, the Business, the Property and the CCAA proceedings; and
  - (b) attending to pre-closing matters with respect to the Transactions including: (i) working with the Purchaser to address regulatory change of control matters relating to the licenses issued to Heritage East and Heritage West by Health Canada pursuant to the *Cannabis Act* and by CRA pursuant to the *Excise Act, 2001*; (ii) attending to the filing of tax returns in respect of each Purchased Entity for all tax periods ending on or prior to the Closing Date; and (iii) working to ensure that the closing deliverables under the Amended and Restated Stalking Horse Agreement are underway or completed.
15. As of the date of this Third Report, despite efforts from all parties involved, including the Applicants, the Purchaser and the Monitor, the Transactions have not closed. The parties are working diligently to satisfy all conditions and close the Transactions as soon as possible. However as noted in the August 21 Schwede Affidavit, certain of the remaining material conditions are outside of the parties’ control.
16. The Vendor and the Purchaser have advised the Monitor that they are targeting a closing date of August 29, 2024, and anticipate the Transactions will close at that time. Immediately upon the Transactions closing, the Enhanced Powers will allow the Monitor to direct the remaining Applicants in their ongoing administration of the CCAA proceedings and wind-down.

## V. ACTIVITIES OF THE MONITOR

17. Since the date of the Second Report, the Monitor's activities have included:

- (a) maintaining the Case Website where all Court documents and other material documents pertaining to the CCAA proceedings are available in electronic form;
- (b) monitoring of the Applicants' cash flows and allowing for payments in accordance with the terms of the ARIO;
- (c) corresponding regularly with the DIP Lender with respect to the Applicants' actual results as compared to the cash flow forecast included in the DIP Term Sheet;
- (d) assisting the Applicants with the preparation of the Updated Cash Flow Forecast;
- (e) assisting the Applicants with their communications with stakeholders, including vendors and key partners;
- (f) conducting the SISP as detailed herein;
- (g) corresponding with the Purchaser and the Vendors in connection with the closing of the Transactions;
- (h) engaging with the Monitor's legal counsel, Blake, Cassels & Graydon LLP regarding matters related to the CCAA Proceedings, including the Transactions and the within motion;
- (i) attending before the Court for the ARVO and the Ancillary Relief Order;
- (j) reviewing materials filed by the Applicants in connection with the within motion; and
- (k) preparing this Third Report.

**VI. RECEIPTS AND DISBURSEMENTS FROM JUNE 10, 2024 TO AUGUST 16, 2024**

18. As noted, the Monitor has implemented procedures for monitoring the Applicants’ consolidated receipts and disbursements on a weekly basis, including a review of forecast to actual variance analyses.
19. Set out below is a summary of the Applicants’ actual to forecast results for the Reporting Period:

<b>Heritage Group - Actual to Forecast</b>			
<b>In C\$M; unaudited</b>			
	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>
<b>Receipts</b>			
AR / Sales	10.43	8.93	1.49
	<b>10.43</b>	<b>8.93</b>	<b>1.49</b>
<b>Operating Disbursements</b>			
Production and Operating Costs	(4.88)	(5.27)	0.38
Salary and Wages	(1.82)	(1.90)	0.07
Excise Taxes	(1.95)	(1.85)	(0.10)
Sales Taxes	(0.51)	(0.44)	(0.07)
Professional Fees	(0.34)	(0.61)	0.27
<b>Total Operating Disbursements</b>	<b>(9.51)</b>	<b>(10.07)</b>	<b>0.56</b>
<b>Net Operating Cash Flow</b>	<b>0.92</b>	<b>(1.14)</b>	<b>2.05</b>
Monthly Interest Payments	(0.12)	(0.12)	0.00
DIP Fee	-	(0.05)	0.05
<b>Net Cash Flow</b>	<b>0.80</b>	<b>(1.30)</b>	<b>2.10</b>
<b>Opening Cash</b>	1.57	1.57	-
Net Cash Flow	0.80	(1.30)	2.10
DIP funding	-	0.50	(0.50)
FX Differences	(0.00)	-	(0.00)
<b>Ending Cash</b>	<b>2.37</b>	<b>0.77</b>	<b>1.60</b>

20. As reflected in the above summary table, the Applicants generated consolidated operating cash receipts of \$10.4 million as compared to forecasted receipts of \$8.9 million while disbursing \$9.5 million as compared to forecasted disbursements of \$10.1 million (excluding financing cash flows and/or DIP drawdowns) over the Reporting Period. This resulted in the Applicants’ experiencing a net operating cash inflow of approximately \$0.9

million, as at August 18, 2024, a favourable variance of approximately \$2.1 million as compared to forecast.

21. In accordance with the ARIO, and in consultation with the Monitor and BJK, the Applicants made payments totalling approximately \$1.4 million to certain suppliers on account of pre-filing amounts which are critical to the Applicants' business and operations continuing as a going concern. As detailed in the Pre-Filing Report, the timing of the Applicants' CCAA filing (the beginning of the month) interrupted the ordinary payment cadence for many of these critical suppliers, who in the ordinary course of business would have been paid on or about April 1.
22. As noted in the table above, the Applicants did not borrow any amounts under the DIP Facility as a result of the favourable variances generated during the Reporting Period.
23. The Monitor, on behalf of the Applicants, provided weekly and cumulative variance reporting to the DIP Lender on a weekly basis pursuant to the DIP Term Sheet.
24. The Monitor is of the view that the Applicants are acting in a manner consistent with the cash flow and as at the date of this Third Report, there have been no material adverse changes to the Applicants' operations since the Filing Date.

## **VII. UPDATED CASH FLOW FORECAST**

25. The Applicants, in consultation with the Monitor, have prepared the Updated Cash Flow Forecast for the purpose of projecting the estimated liquidity needs of the Applicants' to operate in the normal course throughout the Forecast Period. A copy of the Updated Cash Flow Forecast, accompanying notes and a report containing prescribed representations regarding the preparation of the Updated Cash Flow Forecast are attached hereto as **Appendix "A"**.
26. The Updated Cash Flow Forecast has been prepared by the Applicants on a conservative basis using probable and hypothetical assumptions set out in the notes to the Updated Cash Flow Forecast.

27. The Applicants had a cash balance of approximately \$2.4 million as at August 19, 2024. Forecast operating cash receipts over the Forecast Period total approximately \$5.7 million related to the collection of accounts receivable, including from future sales.
28. Forecast operating disbursements over the Forecast Period total approximately \$6.7 million and primarily consist of production and operating costs (\$3.5 million), employee costs (\$1.1 million), excise taxes for accrued or collected amounts after the date of the Initial Order (\$1.2 million), sales taxes in accordance with the Initial Order (\$0.3 million), professional fees (\$0.3 million), the KERP (\$0.1 million) in accordance with the ARIO, and amounts to be held by the Monitor pursuant to the Administrative Expense Amount (\$0.2 million).
29. Net negative operating cash flow is forecast to be approximately \$1 million over the Forecast Period.
30. Based on the cash balance as at August 19, 2024 and due to favourable variances experienced to date, the Applicants have not drawn any amounts under the DIP Facility. Further, based on the current cash balance, the Updated Cash Flow Forecast indicates the Applicants are forecast to have sufficient cash on hand to fund operations and will not be required to draw on the DIP Facility during the Forecast Period. Accordingly, the DIP Term Sheet will expire on its terms on August 30, 2024.
31. The Monitor notes that the Updated 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.

#### **VIII. STAY EXTENSION**

32. The current stay of proceedings expires on August 30, 2024. The Applicants are seeking an extension of the Stay Period to September 27, 2024.
33. The Monitor supports the Applicants' request for an extension of the stay of proceedings to September 27, 2024 for the following reasons:

- (a) the Applicants are acting in good faith and with due diligence in taking steps to facilitate a going concern sale of their business;
  - (b) the Updated Cash Flow Forecast indicates that the Applicants are forecast to have sufficient liquidity to continue to fund operations in the normal course through the period ending September 27, 2024;
  - (c) it allows sufficient time for the remaining Applicants and the Monitor, as applicable, to attend to any post-closing matters related to the Transactions, including the winding-up and/or dissolution of the remaining Applicants and the terminating these CCAA proceedings; and
  - (d) it is the Monitor's view that an extension will not prejudice or adversely affect any group of creditors. The Applicants and the Monitor are also not aware of any party opposed to the proposed extension of the Stay Period.
34. Subject to Court approval of the relief sought at the within motion, and upon closing of the Transactions and delivery of the Monitor's Closing Certificate, the Monitor intends to use the short extension to the Stay Period to bring a motion using its Enhanced Powers to, among other things, terminate these CCAA proceedings, assign the remaining Applicants into bankruptcy, and discharge the Monitor.

## **IX. CONCLUSIONS AND RECOMMENDATIONS**

35. For the reasons set out in the Third Report, the Monitor is of the view that the relief requested by the Applicants is both appropriate and reasonable in the circumstances and the Monitor recommends that this Court grant the proposed Stay Extension Order.

All of which is respectfully submitted this 22<sup>nd</sup> day of August 2024.

**KPMG Inc.**

**In its capacity as Monitor of**

**Heritage Cannabis Holdings Corp., 1005477 B.C. Ltd., Mainstrain Market Ltd., Purefarma Solutions Inc., 333 Jarvis Realty Inc., 5450 Realty Inc., Premium 5 Ltd., Heritage Cannabis Exchange Corp., Heritage Cannabis East Corporation, and Heritage Cannabis West Corporation**

**And not in its personal or corporate capacity**

Per:



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**Pritesh Patel**  
**CIRP, LIT**  
Senior Vice President



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**Tim Montgomery**  
**CIRP, LIT**  
Vice President

# Appendix A

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

**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  
HERITAGE CANNABIS HOLDINGS CORP., 1005477 B.C. LTD., HERITAGE CANNABIS  
WEST CORPORATION, MAINSTRAIN MARKET LTD., HERITAGE CANNABIS EAST  
CORPORATION, PUREFARMA SOLUTIONS INC., 333 JARVIS REALTY INC, 5450 REALTY  
INC., HERITAGE CANNABIS EXCHANGE CORP., AND PREMIUM 5 LTD.**

**(collectively the “Applicants” or the “Debtors”)**

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

The management of the Debtors have developed the assumptions and prepared the attached statement of projected cash flow as of the 22<sup>nd</sup> day of August 2024, consisting of the period from August 19, 2024, to September 27, 2024 (the “**Updated Cash Flow Forecast**”).

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

Since the Updated 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 Updated 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 Updated Cash Flow Forecast may not be appropriate for other purposes.

Dated at Kelowna, in the Province of British Columbia, this 22<sup>nd</sup> day of August 2024.

**Heritage Cannabis Holdings Corp., 1005477 B.C. LTD., Heritage Cannabis West Corporation, Mainstrain Market Ltd., Heritage Cannabis East Corporation, Purefarma Solutions Inc., 333 Jarvis Realty Inc, 5450 Realty Inc., Heritage Cannabis Exchange Corp., and Premium 5 Ltd.**



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**David Schwede**  
Chief Executive Officer

## **13-Week Updated Cash Flow Forecast Notes and Summary of Assumptions**

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**In the matter of a Plan of Compromise or Arrangement of Heritage Cannabis Holdings Corp., 1005477 B.C. LTD., Heritage Cannabis West Corporation, Mainstrain Market Ltd., Heritage Cannabis East Corporation, Purefarma Solutions Inc., 333 Jarvis Realty Inc, 5450 Realty Inc., Heritage Cannabis Exchange Corp., and Premium 5 Ltd. (collectively the “Applicants” or the “Debtors”)**

### **Disclaimer**

Since the Updated Cash Flow Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Updated Cash Flow Forecast period will vary from the Updated 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 Updated 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 Monitor dated August 22, 2024.

### **Note 1 Purpose of the Updated Cash Flow Forecast**

The purpose of the Updated Cash Flow Forecast is to present the estimated cash receipts and disbursements of the Applicants for the period from August 19, 2024 to September 27, 2024 (the “**Forecast Period**”). The Updated Cash Flow Forecast has been prepared by the Applicants, 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. Overdue accounts receivable is forecast to be collected based on management’s best estimate of when these customers may pay.

### **Note 3 Sales**

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

### **Note 4 Production and Operating Costs**

Production and operating costs include, but are not limited to, inventory (vapes, concentrates, pre-rolls) and production costs, including advertising, general and administration and consultancy costs. The forecast is based on run-rate post-filing CCAA production and operating cost expenses with additional forecast amounts through September to satisfy demand.

**Note 5     Salary and Wages**

Payroll expenses include salaries and wages, payroll taxes and remittances. Payroll expenses are forecasted based on current headcount levels and are paid bi-weekly.

**Note 6     Excise Taxes and Sales Taxes**

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

**Note 7     Professional Fees**

Includes professional fees of (i) the Monitor, counsel to the Monitor, counsels to the Applicants, and counsel of the DIP Lender primarily in connection with the CCAA proceedings.

**Note 8     KERP**

Payment of the KERP as per the terms detailed in the Monitor's First Report.

**Note 9     Administration Expense Amount**

Payment of the Administration Expense Amount as detailed in the Monitor's Second Report.

**Note 10    BJK Loan Agreements**

The Updated Cash Flow Forecast assumes interest expense on the remaining outstanding balances under the BJK Loans until the anticipated closing of the Transactions.

**Heritage Cannabis**  
**6 Week Cash Flow Projection (in \$CAD)**

<b>Heritage Cannabis</b>							
<b>Updated CCAA Cash Flow through September 27th</b>							
<b>In C\$; unaudited</b>							
	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	
	<b>23-Aug-24</b>	<b>30-Aug-24</b>	<b>6-Sep-24</b>	<b>13-Sep-24</b>	<b>20-Sep-24</b>	<b>27-Sep-24</b>	<b>Total</b>
<b>Receipts</b>							
Accounts Receivable	535,520	859,936	671,323	741,441	1,049,888	920,900	4,779,008
Sales	-	-	94,193	94,193	341,484	341,484	871,355
<b>Total Customer Receipts</b>	<b>535,520</b>	<b>859,936</b>	<b>765,516</b>	<b>835,634</b>	<b>1,391,372</b>	<b>1,262,384</b>	<b>5,650,363</b>
<b>Operating Disbursements</b>							
Production and Operating Costs	(586,102)	(586,102)	(586,102)	(586,102)	(586,102)	(586,102)	(3,516,610)
Salary and Wages	-	(364,902)	-	(364,902)	-	(364,902)	(1,094,705)
Excise Taxes	-	-	(1,200,000)	-	-	-	(1,200,000)
Sales Taxes	(317,569)	-	-	-	-	-	(317,569)
Professional Fees	-	(190,742)	-	(82,109)	-	(15,820)	(288,672)
KERP	-	-	-	-	-	(76,000)	(76,000)
Wind-Down Reserve	-	-	-	-	-	(187,500)	(187,500)
<b>Total Operating Disbursements</b>	<b>(903,671)</b>	<b>(1,141,745)</b>	<b>(1,786,102)</b>	<b>(1,033,113)</b>	<b>(586,102)</b>	<b>(1,230,323)</b>	<b>(6,681,055)</b>
<b>Net Operating Cash Flow</b>	<b>(368,150)</b>	<b>(281,809)</b>	<b>(1,020,586)</b>	<b>(197,478)</b>	<b>805,270</b>	<b>32,061</b>	<b>(1,030,693)</b>
Monthly Interest Payments	-	(58,976)	-	-	-	-	(58,976)
DIP Fee	-	-	-	-	-	-	-
<b>Net Cash Flow</b>	<b>(368,150)</b>	<b>(340,785)</b>	<b>(1,020,586)</b>	<b>(197,478)</b>	<b>805,270</b>	<b>32,061</b>	<b>(1,089,669)</b>
<b>Opening Cash</b>	2,370,650	2,002,500	1,661,714	641,128	443,650	1,248,920	2,370,650
Net Cash Flow	(368,150)	(340,785)	(1,020,586)	(197,478)	805,270	32,061	(1,089,669)
DIP funding	-	-	-	-	-	-	-
<b>Ending Cash</b>	<b>2,002,500</b>	<b>1,661,714</b>	<b>641,128</b>	<b>443,650</b>	<b>1,248,920</b>	<b>1,280,981</b>	<b>1,280,981</b>

  
**David Benwede**  
 Chief Executive Officer

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

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CORPORATION, PUREFARMA SOLUTIONS INC., 333 JARVIS REALTY INC, 5450 REALTY  
INC., HERITAGE CANNABIS EXCHANGE CORP., AND PREMIUM 5 LTD.**

**(collectively the “Applicants” or the “Debtors”)**

**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 22<sup>nd</sup> day of August 2024, consisting of the period from August 19, 2024 to September 27, 2024 (the “**Updated Cash Flow Forecast**”), has been prepared by management of the Debtors, 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 Updated Cash Flow Forecast.

Our review and consultation consisted of inquiries, analytical procedures and discussions related to information supplied by management and employees of the Debtors. 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 Updated Cash Flow Forecast. We have also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the Updated 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 Updated 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 Debtors or do not provide a reasonable basis for the Updated Cash Flow Forecast, given the hypothetical assumptions; or
- c) the Updated Cash Flow Forecast does not reflect the probable and hypothetical assumptions.

Since the Updated 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 Updated Cash Flow Forecast will be achieved.

The Updated 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 22<sup>nd</sup> day of August 2024.

**KPMG Inc.**

**In its capacity as Proposed Monitor of**

**Heritage Cannabis Holdings Corp., 1005477 B.C. Ltd., Mainstrain Market Ltd., Purefarma Solutions Inc., 333 Jarvis Realty Inc., 5450 Realty Inc., Premium 5 Ltd., Heritage Cannabis Exchange Corp., Heritage Cannabis East Corporation, and Heritage Cannabis West Corporation**

**And not in its personal or corporate capacity**

A handwritten signature in black ink, appearing to read 'P. Patel', with a long horizontal stroke extending to the right.

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**Pritesh Patel, CIRP, LIT**  
Senior Vice President

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 HERITAGE CANNABIS  
HOLDINGS CORP., 1005477 B.C. LTD., HERITAGE CANNABIS WEST CORPORATION, MAINSTRAIN  
MARKET LTD., HERITAGE CANNABIS EAST CORPORATION, PUREFARMA SOLUTIONS INC., 333 JARVIS  
REALTY INC., 5450 REALTY INC., HERITAGE CANNABIS EXCHANGE CORP., AND PREMIUM 5 LTD.

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**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

Proceeding Commenced at Toronto

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**THIRD REPORT OF THE MONITOR  
dated August 22, 2024**

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Lawyers for the Monitor